# *Actuarial Function transfer Report*

## From London General Insurance Limited and Assurant General Insurance Limited into Assurant Europe Insurance N.V.

Effective Date: *02/11/2020*

Purpose: *to set out the likely impact of the proposed transfer of certain general insurance business from AGIL and LGI into AEI*

*William Diffey FIA - Chief Actuary Europe*

# Contents

This report has been produced by the actuarial function of Assurant to inform the Boards of Assurant General Insurance Limited (**AGIL**) and London General Insurance Limited (**LGI**) with relation to the proposed Part VII transfer of the non-UK and non-Switzerland insurance policies of AGIL and LGI (**the Transferors**) to Assurant Europe Insurance N.V.(**AEI**) in the Netherlands (the **Scheme**[1]). Subject to obtaining regulatory and court approvals, the Scheme is intended to take effect on 2 November 2020 (the **Effective Date**).

Assurant has nominated Derek Newton, a Principal at Milliman, to produce a report on the terms of the Scheme in his capacity as Independent Expert pursuant to section 109(2) of the Financial Services and Markets Act 2000 (**FSMA**)

In order to review this proposed transfer, I have performed the valuation as at 31 December 2019 and projected roll forward capital positions to 30 September 2020. This is to allow evaluation of the Transfer using the booked amounts and audited financial statements, and to give the view of capital at the nearest quarter end before the Effective Date. In doing my valuation as at 31 December 2019, I have assumed the Part VII transfer happening as at 31 December 2019 and this is referred to in this report as the "as-if" Transfer, while the actual Part VII transfer (the Transfer) takes place on 2 November 2020. I have also constructed pro-forma financial statements from the actual financial statements as at 31 December 2019 as part of my evaluation of the "as-if" Transfer.

As part of this transferring procedure and the actuarial function duties, I, William Diffey, Fellow of the Institute of Actuaries', as the Chief Actuary (SIMR20) of both AGIL and LGI, am performing an analysis of the proposed transfer under the Scheme with the aim of informing the Boards of AGIL and LGI, and with the intention that this report will also be provided to the Prudential Regulation Authority (**PRA**) and the Financial Conduct Authority (**FCA**). As such, this report is written with Part VII of FSMA in mind.

The objectives of this report are to:

- Explain the procedures used to effect the Transfer of the Transferring Business
- Perform actuarial analysis of the Transferring Business to highlight its key features
- Set out the impact of the Scheme on the Transferors and the Transferee's portfolios, reserving and solvency positions, pre and post-Transfer
- Comment on the effectiveness of the Scheme, and its impact on the business risk profile and on policyholders, both transferring and non-transferring.

The report has been written in accordance to the Technical Actuarial Standards (TAS), in particular, TAS 100 that applies to technical actuarial work, and also in accordance of the Actuarial Profession Standard APX 2 with regards to peer review.

This report considers the likely impact of the proposed transfer of a portfolio of general insurance business from AGIL and LGI, two UK legal entities of Assurant group into AEI a newly incorporated Dutch legal entity which is also part of the Assurant group.

As part of Brexit-induced restructuring, Assurant Europe have opened two new Dutch head officed insurance companies, AEI and Assurant Europe Life Insurance N.V. (**AEL**). AEI applied to De Nederlandsche Bank (**DNB**), the Dutch regulatory authority, to become authorised as a general insurance company. AEL applied to the DNB to become authorised as a life insurance company. Assurant have been informed that these entities were approved on 9 June 2020. Business plans for year 2020 reflecting the expectation that business will be transferred into these new entities at 2 November 2020 have been forecasted as well.

[1] We also use the term "Transfer" to refer to the Part VII Transfer of AGIL and LGI to AEI; thus, sometimes the terms "Scheme" and "Transfer" are used interchangeably in this report.

This report is dealing with the Transfer of the non-UK and non-Switzerland general insurance business of AGIL and LGI into AEI (the Transfer). The Transfer of the non-UK insurance business of London General Life (**LGL**) and Assurant Life Limited (**ALL**) into AEL is covered in a separate report. It should be noted that the two proposed transfers are being progressed in parallel it is planned to have the same Effective Date for both, however they are not interdependent except for a small portfolio of Creditor business written jointly by LGI and LGL. This portfolio will not transfer until both transfers are effective.

The approach to estimate the impact of the Transfer is to:

- Understand the nature and structure of the Scheme
- Identify the groups of policyholders that would be affected
- Assess the pre and post-Transfer financial positions of the companies involved in the Scheme: technical insurance liabilities, assets and capital
- Consider the risk management implications, including reinsurance and other risk mitigation aspects
- Consider the implications of the Scheme on the level of security provided to the affected policyholders before and post-Transfer;
- Consider the potential impact on levels of customer service
- Consider other financial factors that might affect policyholders
- Consider other non-financial factors that might affect policyholders

The conclusions in this report are summarised in this section. The detailed explanation behind these conclusions follows in the body of this report.

The financial strength of the companies involved in the Transfer measured in terms of ratio of Solvency II Own Funds (OF) to Solvency Capital Requirement (SCR), the SCR coverage ratio (SCR%), pre and post-Transfer is presented in the table below (with the Transfer presented as occurring as at 31 December 2019):

| | AGIL | LGI | AEI | AGIL | LGI | AEI |
|---|---|---|---|---|---|---|
| (£m) | Pre-transfer (as at **YE19**) | | | Post transfer (as at **YE19** + impact of Transfer) | | |
| Eligible Own Funds | 87.9 | 90.8 | 35.1 | 86.8 | 62.0 | 66.8 |
| Regulatory SCR | 59.6 | 46.2 | 0.0 | 54.9 | 20.4 | 43.5 |
| SCR% | 148% | 196% | n/a | 158% | 305% | 154% |
| | Pre-transfer (as at **YE19**) With impact of COVID-19 | | | Post transfer (as at **YE19** + impact of Transfer) With impact of COVID-19 | | |
| Eligible Own Funds | 83.6 | 83.1 | 35.1 | 83.3 | 58.7 | 64.4 |
| Regulatory SCR | 59.6 | 46.2 | 0.0 | 54.9 | 20.4 | 43.5 |
| SCR% | 140% | 180% | n/a | 152% | 288% | 148% |
| | Pre-transfer (as at **3Q20**) With impact of COVID-19 | | | Post transfer (as at **3Q20** + impact of Transfer) With impact of COVID-19 | | |
| Eligible Own Funds | 90.0 | 82.1 | 30.2 | 87.4 | 53.3 | 65.7 |
| Regulatory SCR | 52.2 | 38.2 | 17.7 | 47.5 | 20.4 | 43.5 |
| SCR% | 172% | 215% | 170%[2] | 184% | 262% | 151% |

[2] Only 3 month worth of business, written between 1 July 2020 and 30 September 2020; therefore, not representative of AEI's portfolio post-Transfer.

Note that the Transfer has been assessed at Year End 2019 (YE19) on a “as-if” basis[3] and at the end of the third quarter of 2020 (3Q20)[4]. AEI does not have any business before the Transfer as at YE19 but there is 3 months’ worth of business in AEI before the Transfer as at 3Q20.

AGIL, LGI and AEI are all well capitalised, pre and post-Transfer, as their SCR%, where calculated, is well above 100% and above their targets pre and post-Transfer.

The Transferring policyholders of AGIL and LGI to AEI and the remaining non-Transferring policyholders will benefit from strong financial capacity of the companies from which they have their policies. (AEI will also benefit from a letter of support at the date of the transfer from the parent company of AEI.)

On the YE19 assessment basis, it can be seen that the solvency ratio of the non-Transferring policyholders of AGIL and LGI is expected to be improved after the Transfer. The solvency ratio of Transferring policyholders of AGIL to AEI is expected to improve from 148% (AGIL before Transfer) to 154% (AEI after Transfer). The solvency ratio of Transferring policyholders of LGI to AEI will decrease from 196% (LGI before Transfer) to 154% (AEI after Transfer). However, it is my opinion that this apparent loss of financial strength of Transferring LGI policyholders is only a short-term issue, because as AEI business continues quarter on quarter, profit will be generated as it has been the case when the business was in AGIL and LGI, and this will build up Own Funds progressively. Moreover, the SCR of AEI is artificially increased by the Transfer premium itself and this effect is expected to unwind during 2021.

The business was profitable when it was in AGIL and LGI and there is no reason why that will change when the business is in AEI, a company that will be run in the same business philosophy of AGIL and LGI. The profitability of AEI will remain strong as it was the case in AGIL and LGI and the Transfer is made on a business as usual basis; therefore, it is not unreasonable to assume that profit will be generated, and Own Funds will be built up progressively with time. The risk and solvency capital requirement might also increase, but not at the same speed as the profit because of the extra diversification benefit in the aggregate risk and capital requirements of AEI, and as a result, the solvency ratio will increase with time. This view is supported by the ORSA forward-looking assessment of AEI that forecasts a SCR ratio of 146% at YE20 and 166% at YE21 for AEI.

In conclusion, the Transferring and non-Transferring policyholders of AGIL and LGI will benefit from well capitalised companies and claims payments will continue to be met within the limits of the financial capacity of the companies involved in the Scheme which is strong, as evidenced by the high solvency ratios.

In addition to the quantitative financial strength measure, the servicing of the policies, the overall risk management framework, including the governance and compliance is very strong for AGIL, LGI and AEI; therefore, the interests of Transferring and non-Transferring policyholders of LGI and AGIL will be looked after with the same care as before the Transfer.

I have conducted a detailed assessment of the Scheme, its likely impact on the different policyholder groups of the companies involved. I have assessed the Scheme from an actuarial point of view but also with consideration to the other non-technical, non-actuarial aspects. My conclusion is that the risk of any policyholder group of AGIL, LGI or AEI being adversely affected is immaterial.

I have conducted a detailed assessment of the Transfer, its likely impact on the different policyholder groups, on the companies involved and on Assurant group. I have assessed the Transfer from an actuarial point of view but also with consideration to the other non-technical, non-actuarial aspects

*Assessment of pre and post Transfer financial positions*

I conclude that the financials provided during this assessment are reliable. The solidity of AGIL, LGI and AEI post-Transfer thanks to the analysis undertaken with YE2019 figures, “as if” YE2019 and as at 3Q20.

I have considered the broader risk management issues in relation to the underlying businesses and risk profiles of the Transferors and the Transferee companies, including an assessment of insurance risk, market risk, credit risk

[3] The actual Transfer will take place at 2 November 2020. However, we have performed an assessment of the Transfer on a “as-if” basis at YE19 as this is the last date of public and audited financial results. The YE19 assessment is referred to as the “as-if” Transfer in this report.

[4] We have done an assessment of the financial position of the Transfer at 30 September 2020 (3Q20), as this is the last quarter before the actual Transfer.

and operational risks. I am satisfied that the risk management framework, including governance and compliance is of a high standard and will remain to be of same standard post-Transfer.

In particular, I have looked into the risk posed by COVID-19 on the world economy with the disruption in some supply chains and additional volatility in the markets. Should there be a significant hit of the economy, the ripple can be felt in various parts of AGIL and LGI businesses, especially in the Creditor book of LGI, the most material line of business directly exposed to economic downturn. The full impact of this uncertainty and potential market movements has not been assessed in detail at present, but the risk is closely monitored by management. My report, which is based on year end 2019 data and a roll forward to 30 September 2020 takes some actual market movement in January to March 2020 into account and explicitly considers whether it remains appropriate and fair to continue with the proposed transfer in light of COVID-19, its forecasted impacts and the risks that it poses. It is my opinion, as a result of my assessment of the impact of COVID-19, that the risk posed by this new disease on the Transfer is within the limits of manageable risk and it does not constitute an impediment to the Transfer.

*Consideration of Risk Management implications including reinsurance and other risk mitigation aspects*

I have considered the broader risk management issues in relation to the underlying businesses and risk profiles of the Transferors and AEI, including an assessment of insurance risk, market risk, credit risk and operational risks. I am satisfied with the risk management framework, including governance and compliance which are of a high standard and will remain to be of same standard post transfer.

*Effectiveness of the scheme and its impact on policyholders and risk profile*

I believe policyholders are fairly treated in terms of the before and after positions of the scheme. These are covered in detail in sections 12 of my report.

This report covers the general insurance policies of AGIL and LGI two UK regulated companies of the Assurant Group to be transferred to AEI, a Dutch regulated entity of the Assurant Group, authorised on 9 June 2020 by the Dutch authorities. The legal entities from which the insurance policies will be transferred, the Transferors, are:

- Assurant General Insurance Limited (AGIL) in the UK

AGIL is a general insurance which writes various commercial lines of business providing insurance to commercial clients. AGIL has policies covering business from many EEA countries (see list in section 3.2).

- London General Insurance (LGI) in the UK

LGI is a general insurance writer, providing extended warranty and other insurance covers to the general public as well as commercial clients. LGI has policies covering business from many EEA countries (see list in section 3.2).

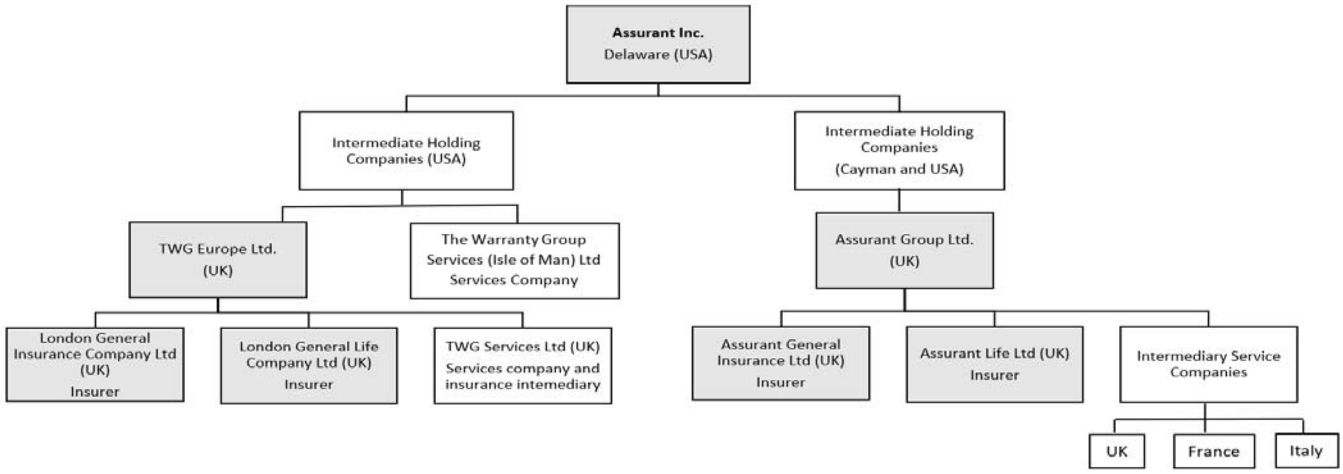
The legal entity to which the insurance policies will be transferred, the Transferee, is:

- AEI in the Netherlands

By construction, AEI is a general insurance company writing a broad spectrum of lines of business to commercial clients and to the general public with policies covering business from many EEA countries (see list in section 3.3).

This section presents the diagrams of structure of entities and ownership within the Assurant group pre and post-Transfer.

The first diagram below shows the corporate structure of Assurant Group before the Transfer.




LGI is part of The Warranty Group Europe (TWGE) while AGIL is part of Assurant Group Limited (AGL). TWGE and AGL are two UK regulated groups. Note, TWGS Isle of Man does not form part of the European group.

Under the Scheme, the non-UK, non-South African and non-Switzerland non-life insurance policies of AGIL and LGI, if any, will be transferred to AEI while under a separate Part VII scheme, the non-UK, non-South African and non-Switzerland life insurance policies of ALL and LGL, if any, will be transferred to AEL. The diagram below shows the corporate structure and the supervisory groups post-Transfer.

Post-Transfer, both AGL and TWGE still remain UK Groups and Solvency II regulated. However, TWGE will have some legal entities in the Netherlands, namely AEI, AEL and Assurant Europe Services B.V.(**AES**) while all legal entities of AGL are UK domiciled.

Currently, and up to 31 December 2020 (being the last date of the transition period under of the Agreement on the Withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union), the EU's Solvency II regulatory regime continues to apply in the UK. However, whilst it is not absolutely certain that Solvency II in its current format and contents will still be the UK regulatory regime from 1 January 2021, it is a current working assumption made in this report that the UK will retain Solvency II after 31 December 2020. AGL and TWGE will continue to submit group reporting to the UK regulator and at solo entity level, AEI and AEL will report to the Dutch regulator (DNB) while the other entities (AGIL, LGI, ALL and LGL) continue to report to the UK regulator.

[redacted]

AGIL and LGI specialise in the underwriting, administration and marketing of four core product lines:

- Connecting Living - Protection products for mobile phones, gadgets, home appliances and consumer electronics
- Automotive – Warranty, Guaranteed Asset Protection (GAP) and ancillary insurances;
- Shipping – Goods in transit cover for commercial sellers on online marketplaces. This product is relatively new.
- Creditor and Other including unemployment, accident, and health. This product line is primarily in run off and there is no plan to underwrite any new customers business since 2018.

These are primarily consumer insurance products that are marketed across Europe through a combination of branches and freedom of service arrangements. These are distributed on a Business-to-Business basis through relationships with a range of motor dealers, manufacturers, retailers, financial institutions and other distributors.

All European insurance operations are conducted by entities that are subsidiaries of either AGL or TWGE collectively known as Assurant Europe Group.

| ENTITY | AGIL | LGI |
|---|---|---|
| NATURE | Private Limited Company incorporated in England and Wales with registered number 02341082. | Private Limited Company incorporated in England and Wales with registered number 01865673. |
| REGISTERED OFFICE | Emerald Buildings, Westmere Drive, Crewe, Cheshire, CW1 6UN. | Twenty Kingston Road, Kingston Road, Staines-Upon-Thames, Surrey, TW18 4LG. |
| LoB | under Part 4A of FSMA to carry on General Insurance Business in the United Kingdom in classes:<br>- 1 (Accident),<br>- 2 (Sickness),<br>- 3 (Land vehicles),<br>- 6 (Ships),<br>- 7 (Goods in transit),<br>- 8 (Fire and natural resources),<br>- 9 (Damage to property),<br>- 10 (Motor vehicle liability),<br>- 12 (Liability for ships),<br>- 13 (General liability),<br>- 16 (Miscellaneous financial loss)<br>- and 18 (Assistance) | under Part 4A of FSMA to carry on General Insurance Business in the United Kingdom in classes:<br>-1 (Accident),<br>- 2 (Sickness),<br>- 3 (Land vehicles),<br>- 9 (Damage to property),<br>- 13 (General liability)<br>- and 16 (Miscellaneous financial loss) |
| AUTHORISED COUNTRIES other than UK | following EEA states:<br>- Austria,<br>- Belgium,<br>- Bulgaria,<br>- Cyprus,<br>- Czech Republic,<br>- Denmark,<br>- Estonia,<br>- Finland,<br>- France (effective),<br>- Germany (effective),<br>- Greece, | following EEA states:<br>- Austria (effective),<br>- Belgium (effective),<br>- Czech Republic (effective),<br>- Denmark (effective),<br>- Estonia (effective),<br>- Finland (effective),<br>- France (effective),<br>- Germany (effective),<br>- Greece (effective),<br>- Hungary (effective),<br>- Ireland (effective), |

| | | |
|---|---|---|
| | - Hungary (effective),<br>- Iceland,<br>- Ireland (effective),<br>- Italy (effective),<br>- Latvia,<br>- Liechtenstein,<br>- Lithuania,<br>- Luxembourg,<br>- Malta,<br>- Netherlands (effective),<br>- Norway,<br>- Poland,<br>- Portugal,<br>- Romania (effective),<br>- Slovakia,<br>- Slovenia,<br>- Spain (effective) and<br>- Sweden (effective) | - Italy (effective),<br>- Latvia (effective),<br>- Luxembourg (effective),<br>- Netherlands (effective),<br>- Norway (effective),<br>- Poland,<br>- Portugal (effective),<br>- Romania,<br>- Slovakia (effective),<br>- Spain (effective),<br>- Sweden (effective),<br>- Switzerland,<br>- South Africa (effective) |
| CLIENTS TYPE | B2B | B2B |

The Scheme will transfer all insurance business written by AGIL and LGI where the state of risk is not the UK, South Africa or Switzerland.

The portfolio to be transferred constitutes:

- insurance policy contracts, in the scope of this report, and
- The "B2B Contracts" (see 16.1 for more details). Not all B2B Contracts will be transferred under the Scheme, some will be transferred outside of the Scheme and the latter are not in the scope of this report.

AEI is a limited company incorporated in the Netherlands. It is registered in the trade register of the Dutch Chamber of Commerce under number 72959320. The registered office of AEI is at Paasheuvelweg 1, 1105 BE Amsterdam, the Netherlands. At the time of writing, AEI has been authorised from 9 June 2020 by the DNB under *Wet op het financieel toezich* (the **Dutch Act on Financial Supervision**) to carry on general insurance business in the Netherlands in the following lines of business:

1. Accident
2. Sickness
3. Land Vehicles
4. Goods in Transit
5. Fire and natural forces
6. Damage to property
7. Miscellaneous financial loss

Subject to becoming authorised by the DNB, AEI will exercise its right to passport certain of its permissions referred to in this paragraph from the Netherlands into the following EEA states: Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Italy, Latvia, Poland, Portugal, Romania, Spain and Sweden.

Subject to Court approval, the actual Transfer will take place on 2 November 2020. However, in this report, the financial assessment of the “as-if” Transfer has been performed on the year end 2019 (YE19) financial position, as this is the last set of booked and audited financial statements. In addition, we have stressed the “as-if” Transfer financials with the impact of COVID-19. Further, we present how the planned business of year 2020 is expected to impact the financials of the actual Transfer at 3Q20. The 3Q20 capital position includes the forecasted impact of COVID-19.

In order to assess the financial position, pre and post-Transfer forecasted balance sheets of the Transferors (AGIL and LGI) and that of the Transferee (AEI) have been constructed by Finance as at Year End 2019 (YE19) in a joint effort with the Actuarial function. The key assumptions used in constructing these balance sheets are:

- Pre "as-if" Transfer balance sheet and capital for AGIL and LGI are the actual YE19 results, these are facts. However, Pre "as-if" Transfer for AEI is a pro-forma balance sheet constructed using information from the YE19 balance sheets of AGIL and LGI.
- Post "as-if" Transfer balance sheet and capital for AGIL, LGI and AEI have been constructed as pro-forma using existing information from the YE19 balance sheets of AGIL and LGI and information about the liabilities and assets to be transferred valued as at YE19.
- Insurance contracts transferred at book value (GAAP basis), for no profit or loss (equal total amount of liabilities and assets to be transferred).
- AEI starts with £35.1m (40m Euro) capital on 31 December 2019 and immediately receives the Transferred business from AGIL and LGI, and an additional £26m (29.4m Euro) also on 31 December 2019. Note that 3.6m Euro has been injected to AEI in addition to the £35.1m (40m Euro) capital to cover for the cost of the Transfer[5], making the total initial cash injection to AEI 43.6m Euro (40m Euro capital and 3.6m Euro expenses) [6].
- Assets and Liabilities likely to be transferred, using 4Q19 balances as proxy:
    - Financial investments
    - Debtors (including Reinsurance)
    - Cash and cash equivalents
    - Technical Provision
    - Creditors (including Reinsurance)

In more detail:

Technical Provisions

- Unearned Premium Reserve (UPR), Deferred Acquisition Cost (DAC) and Claim Reserves movements are derived from movement in the P&L. e.g. written premium less earned premiums = movement Unearned Premium Reserve
- Solvency II Technical Provisions (TPs) are computed using a Technical Provision model built in the Willis Towers Watson platform (Igloo) and reconciled to the GAAP/IFRS provisions
- The policies related to the Transferred business are clearly identified and their TPs have been calculated from the YE19 results. The TPs for the Transferred business are the TPs of the EU countries in the TPs breakdown as at YE19.
- The impact of COVID-19 has been allowed for in the TPs by applying an uplift of 3% for LGI and 2% for AGIL, based on a combination of quantitative and qualitative information about the footprint of disease and its likely financial impact on AGIL and LGI businesses and overlaid with expert judgment.

Assets

- Assets are valued as mark to market. A reduction of assets value of 5% on AGIL and 3% on LGI has been assumed to allow for the impact of COVID-19. The -5% and -3% have been derived by looking at the actual performance of assets up to the end of the first quarter of year 2020 and making a judgment.

Debtors and Creditors

- AEI Debtors and Creditors for Premium, Commission and claims have been calculated using a weighted factor of relevant Debtors and Creditors of AGIL and LGI.

Capital injection

[5] Expenses paid in relation to the Transfer

[6] The initial 40m Euro have been already allocated to AEI as part of the application to the DNB, while the second capital injection of 29m Euro will be received by AEI before the High Court hearing. The 3.6m Euro initial expenses have been allocated to AEI in May 2020.

- Initial share capital injection of €40[7]m to AEI assumed to be made on 31 December 2019 for the purpose of the "as-if" assessment as at YE19, prior to the "as-if" Transfer
- Second share capital injection of €29m[8] to AEI to support the Transfer made on 31 December 2019, immediately after the "as-if" Transfer
- Balancing amount of cash (or cash equivalent investments) will be transferred so that the Transfer is not at profit or loss on GAAP basis, to account for any additional tax impact and to ensure AEI SCR coverage is not less than the target 140%
- The funding of the initial capital injection of €40m to AEI comes from a budget set aside for the Part VII project by Assurant Inc and in which LGI has provided funds from dividend payments in 2018. However, the funding of the second capital injection of €29m to AEI will come from LGI as dividend payment in year 2019 to Assurant Inc that reinvests the money into AEI.
- Any additional assets necessary to hold to cover to COVID-19 impact will be funded either from parent Assurant Inc. in the US or by increasing the dividend paid by LGI at YE19.

Capital

- The SCRs have been calculated using the Solvency II Standard Formula for AGIL, LGI and AEI. Note that LGI uses the standard formula with Undertaking Specific Parameters (USP).
- The SCRs before the "as-if" Transfer are the SCRs as at YE19, and the SCRs after the "as-if" Transfer have been estimated

In this section, the forecasted financial impact of the Scheme is presented in terms of balance sheet on GAAP and Solvency II basis pre and post-Transfer, and also in terms of Solvency II capital requirements pre and post-Transfer. Note that the financial assessment has been performed on the following basis:

- **Year End 2019 basis** – this is a "as-if" analysis to present the financials as if the Transfer was taking place as at year end 2019, using the numbers booked and audited as at year end 2019.
- **Year End 2019 basis with impact of COVID-19** –This assessment is as if the Transfer was taking place as at year end 2019 and allows for assumptions about the impact of COVID-19.

In this basis, the Transfer date is assumed to be 31 December 2019. Therefore, Before Transfer position relates to 31 Dec 2019 and After Transfer position relates to end "31 Dec 2019 + impact of Transfer (assessed as at 31 Dec 2019)".

The financials have been constructed with the following constraints:

- The post-Transfer ratio of Own Funds to SCR must not be less than 140% for AEI
- The ratios of Own Funds to SCR for AGIL and LGI must not deteriorate
- The Transfer must be at zero profit or loss on GAAP basis (i.e. the liabilities and assets to be transferred must be equal)
- Other Assets balance sheet line used as the balancing item

[7] The initial capital injection of 40m Euro has been allocated to AEI already as part of the DNB application
[8] The second cash injection of 29m Euro will be made available before the High Court hearing.

**AGIL**

| GAAP balance sheet (£m) | Before Transfer | Impact of Transfer | After Transfer |
|---|---|---|---|
| **Assets:** | | | |
| Cash | 5.3 | 0.0 | 5.3 |
| Investments | 77.4 | (8.5) | 68.9 |
| DAC | 11.4 | (10.9) | 0.4 |
| Ceded technical provisions | 11.3 | (4.6) | 6.7 |
| Other assets | 85.5 | (19.2) | 66.3 |
| **Total assets** | **190.8** | **(43.2)** | **147.6** |
| **Liabilities:** | | | |
| Gross tech provisions (excl risk margin) | 52.3 | (37.4) | 15.0 |
| Risk margin | 0.0 | 0.0 | 0.0 |
| RI DAC | 0.0 | 0.0 | 0.0 |
| Other liabilities | 54.9 | (5.9) | 49.0 |
| **Total liabilities** | **107.2** | **(43.2)** | **64.0** |
| Excess of assets over liabilities | 83.6 | 0.0 | 83.6 |

**AGIL**

| Solvency II balance sheet (£m) | Before Transfer | Impact of Transfer | After Transfer |
|---|---|---|---|
| **Assets:** | | | |
| Cash | 5.3 | 0.0 | 5.3 |
| Investments | 78.4 | (8.5) | 70.0 |
| DAC | 0.0 | 0.0 | 0.0 |
| Ceded technical provisions | 2.9 | (3.4) | (0.6) |
| Other assets | 83.0 | (19.2) | 63.7 |
| **Total assets** | **169.6** | **(31.1)** | **138.4** |
| **Liabilities:** | | | |
| Gross tech provisions (excl risk margin) | 22.4 | (20.3) | 2.1 |
| Risk margin | 4.3 | (3.9) | 0.4 |
| RI DAC | 0.0 | 0.0 | 0.0 |
| Other liabilities | 55.0 | (5.9) | 49.2 |
| **Total liabilities** | **81.7** | **(30.0)** | **51.6** |
| Excess of assets over liabilities | 87.9 | (1.1) | 86.8 |
| Adjustments | 0.0 | 0.0 | 0.0 |

**AGIL**

| SII Capital (£m) | Before Transfer | After Transfer |
|---|---|---|
| **Eligible Own Funds** | 87.9 | 86.8 |
| **Solvency Capital Requirement (SCR)** | 59.6 | 54.9 |
| **SCR %** | **148%** | **158%** |

- It can be observed that the change in SCR post transfer (compared to pre-Transfer) for AGIL looks relatively small compared to the drop in gross TPs. i.e., Pre-Transfer, gross TPs to SCR is 38% and 4% post-Transfer. The explanation lies in the nature of the composition of AGIL's portfolio that has a mixture of Mobile Phone insurance policies with monthly terms and Creditor policies with yearly terms.
  - A large proportion of the monthly policies have not moved with the Transfer. AGIL retains the majority of monthly policies. The EU business being transferred contains most of AGIL's annual policies. What's left behind is mostly monthly.
  - The monthly contracts have very low claims provision (short tail risk) and large premium income (hence low level of TPs net of premium income). However, the SCR is large due to the high earned premium volume as used in the Standard Formula calculation.
  - So, as the SCR of AGIL post transfer is driven by the monthly short-term policies, the TPs are small, but the SCR is big.
- Key TP methodologies and assumptions are as at year end 2019. Although the treatment of contract boundaries for certain UK schemes within AGIL are subject to review in respect of their re-price clauses, the impact of such considerations on the AGIL SCR and Technical Provisions offset are less than approximately £4m. Hence this consideration does not materially affect the security of remaining policyholders within AGIL.
- The policies transferred from AGIL to AEI represent 71% of AGIL's pre-transfer GAAP Technical Provisions on Gross basis and 80% on Net basis.
- 11% of investment assets of AGIL will be transferred to AEI.
- The Other Assets (mainly premium receivables) transferred from AGIL to AEI represent 23% of AGIL's pre-transfer booked value of Other Assets on GAAP basis.
- Overall, the amounts of total liabilities and total assets transferred from AGIL to AEI match on GAAP basis
- The SCR ratio of AGIL is expected to move from 148% pre-transfer to 158% post-Transfer
- Most of the liabilities of AGIL will be transferred to AEI. On GAAP basis, the same amounts of assets will be transferred, making a nil profit transaction (on GAAP basis). However, on Solvency II basis, the transaction has generated a loss of £1.1m for LGI, and Own Funds have decreased from £87.9m to £86.8m while the SCR has decreased from £59.6m to £54.9m (because the insurance risk has reduced), making the SCR ratio improve from 148% to 158%.

**LGI**

| GAAP balance sheet (£m) | Before Transfer | Recapture of QS | Impact of Transfer | Dividend | After Transfer |
|---|---|---|---|---|---|
| **Assets:** | | | | | |
| Cash | 2.6 | 0.0 | 0.0 | 0.0 | 2.6 |
| Investments | 165.0 | 0.0 | (66.1) | (25.8) | 73.1 |
| DAC | 76.3 | 5.8 | (29.1) | 0.0 | 53.1 |
| Ceded technical provisions | 48.7 | (20.0) | (9.9) | 0.0 | 18.8 |
| Other assets | 43.4 | 14.8 | (16.2) | 0.0 | 42.0 |
| **Total assets** | **336.1** | **0.6** | **(121.3)** | **(25.8)** | **189.6** |
| **Liabilities:** | | | | | |
| Gross tech provisions (excl risk marg | 175.8 | 0.0 | (109.8) | 0.0 | 66.0 |
| Risk margin | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| RI DAC | 3.2 | 0.6 | (3.2) | 0.0 | 0.6 |
| Other liabilities | 70.1 | 0.0 | (8.3) | 0.0 | 61.8 |
| **Total liabilities** | **249.1** | **0.6** | **(121.3)** | **0.0** | **128.4** |
| Excess of assets over liabilities | 87.0 | 0.0 | 0.0 | (25.8) | 61.2 |

**LGI**

| Solvency II balance sheet (£m) | Before Transfer | Recapture of QS | Impact of Transfer | Dividend | After Transfer |
|---|---|---|---|---|---|
| **Assets:** | | | | | |
| Cash | 4.5 | 0.0 | 0.0 | 0.0 | 4.5 |
| Investments | 177.1 | 0.0 | (66.1) | (25.8) | 85.2 |
| DAC | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Ceded technical provisions | 18.1 | (12.9) | 0.3 | 0.0 | 5.5 |
| Other assets | 5.2 | 14.8 | (14.8) | 0.0 | 5.2 |
| **Total assets** | **205.0** | **1.9** | **(80.6)** | **(25.8)** | **100.5** |
| **Liabilities:** | | | | | |
| Gross tech provisions (excl risk margin) | 96.1 | 0.0 | (64.2) | 0.0 | 31.9 |
| Risk margin | 4.7 | 0.0 | (3.2) | 0.0 | 1.6 |
| RI DAC | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other liabilities | 13.4 | 0.0 | (8.3) | 0.0 | 5.0 |
| **Total liabilities** | **114.2** | **0.0** | **(75.8)** | **0.0** | **38.5** |
| Excess of assets over liabilities | 90.8 | 1.9 | (4.8) | (25.8) | 62.0 |
| Adjustments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

**LGI**

| Capital (£m) | Before Transfer | After Transfer |
|---|---|---|
| **Eligible Own Funds** | 90.8 | 62.0 |
| **Solvency Capital Requirement (SCR** | 46.2 | 20.4 |
| **SCR %** | 196% | 305% |

- The policies transferred from LGI to AEI represent 62% of LGI's pre-transfer booked GAAP reserves on Gross basis and 79% on Net basis.
- The investment assets transferred from LGI to AEI represent 40% of LGI assets pre-transfer on GAAP basis.
- The Other Assets (mainly premium receivables) transferred from LGI to AEI represent 37% of LGI's pre-transfer booked value of Other Assets on GAAP basis.
- Note that the intragroup 20% Quota Share (QS) reinsurance provided to LGI by an entity of the Assurant Group will not transfer to AEI, therefore the coverage of the EU portfolio of the QS has to be recaptured (partial commutation of the EU policies). The Ceded reinsurance in the column "Before Transfer" is the position as at YE19 and assumed the QS applies to all the policies of LGI. The QS recapture column in the Solvency II balance sheet shows the impact of the partial commutation of the QS for the EU policies of LGI before the Transfer. Ceded reinsurance asset reduces by £12.9m (the Solvency II value of the QS ceded reinsurance for the EU policies). £14.8m asset has been posted in Other assets line of the balance sheet, the commutation proceedings paid by the reinsurer to LGI calculated on GAAP basis, and paid as bonds. LGI and the reinsurer agreed to settle the commutation on GAAP basis, and with bonds assets. We have used the QS recapture bonds values in the Solvency II balance sheet and this has generated a profit of £1.9m (because the EU policies QS Ceded reinsurance is £12.9m on Solvency II basis while it is £14.8m on GAAP basis). The full proceedings of recapturing the QS for the EU policies (£14.8m) have been transferred to AEI as "Other assets".
- Overall, the amounts of total liabilities and total assets transferred from LGI to AEI match on GAAP basis
- The SCR ratio of LGI has moved from 196% pre-transfer to 305% post-Transfer.
- Most of the liabilities of LGI will be transferred to AEI. On GAAP basis, the same amounts of assets will be transferred, making a nil profit transaction (on GAAP basis). However, on Solvency II basis, the transfer has generated a loss of £4.8m for LGI, the QS recapture has generated a profit of £1.9m, LGI has paid a dividend of £25.8mand as a result, Own Funds have decreased from £90.8m to £62.0m while the SCR has decreased from £46.2.6m to £20.4m (because the risk has reduced), making the SCR ratio improve from 196% to 305%.

**AEI**

| GAAP balance sheet (£m) | Before Transfer | Impact of Transfer | PVII Sh Cap Inj | After Transfer |
|---|---|---|---|---|
| **Assets:** | | | | |
| Cash | 35.1 | 0.0 | 0.0 | 0.0 |
| Investments | 0.0 | 0.0 | 74.6 | 25.8 |
| DAC | 0.0 | 0.0 | 40.0 | 0.0 |
| Ceded technical provisions | 0.0 | 0.0 | 14.5 | 0.0 |
| Other assets | 0.0 | 0.0 | 35.4 | 0.0 |
| **Total assets** | **35.1** | **0.0** | **164.5** | **25.8** |
| **Liabilities:** | | | | |
| Gross tech provisions (excl risk marg | 0.0 | 0.0 | 147.1 | 0.0 |
| Risk margin | 0.0 | 0.0 | 0.0 | 0.0 |
| RI DAC | 0.0 | 0.0 | 3.2 | 0.0 |
| Other liabilities | 0.0 | 0.0 | 14.2 | 0.0 |
| **Total liabilities** | **0.0** | **0.0** | **164.5** | **0.0** |
| Excess of assets over liabilities | 35.1 | 0.0 | 0.0 | 25.8 |

**AEI**

| Solvency II balance sheet (£m) | Before Transfer | Impact of Transfer: Methodology Adjustment | Impact of Transfer: Back Book Portfolio | PVII Sh Cap Inj | After Transfer |
|---|---|---|---|---|---|
| **Assets:** | | | | | |
| Cash | 35.1 | 0.0 | 0.0 | 0.0 | 35.1 |
| Investments | 0.0 | 0.0 | 74.6 | 25.8 | 100.3 |
| DAC | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Ceded technical provisions | 0.0 | 0.0 | 3.1 | 0.0 | 3.1 |
| Other assets | 0.0 | 7.6 | 34.0 | 0.0 | 41.7 |
| **Total assets** | **35.1** | **7.6** | **111.7** | **25.8** | **180.2** |
| **Liabilities:** | | | | | |
| Gross tech provisions (excl risk margin) | 0.0 | 7.6 | 84.5 | 0.0 | 92.2 |
| Risk margin | 0.0 | 0.0 | 7.0 | 0.0 | 7.0 |
| RI DAC | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other liabilities | 0.0 | 0.0 | 14.2 | 0.0 | 14.2 |
| **Total liabilities** | **0.0** | **7.6** | **105.8** | **0.0** | **113.4** |
| Excess of assets over liabilities | 35.1 | 0.0 | 5.9 | 25.8 | 66.8 |
| Adjustments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

**AEI**

| Capital (£m) | Before Transfer | After Transfer |
|---|---|---|
| **Eligible Own Funds** | 35.1 | 66.8 |
| **Solvency Capital Requirement (SCF** | 0.0 | 43.5 |
| **SCR %** | n/a | 154% |

- Methodological adjustment column of the Solvency II balance sheet of AEI: Note that AGIL and LGI have different approaches of presenting the TPs in the balance sheet. AGIL presents the TPs gross of premium receivables (past due) while LGI TPs are presented in the balance sheet net of premium receivables (past due). When moving TPs to AEI from AGIL and LGI, there is a need to adopt one approach between the two, and the AGIL approach has been chosen. Therefore, an adjustment is required to make the LGI TPs transferred to AEI on the same basis as AGIL and that is captured in the "Methodologoical Adjustment" column in the Solvency II balance sheeth of AEI above, whereby the premium receivables (past due) of LGI are grossed up in the gross TPs and booked as Other assets.
- The gross TPs of AEI post Transfer of £92.2m is made of £84.5m[9] TPs for the transferring policies as booked at YE19 in AGIL and LGI plus £7.6m from aligning methodology between LGI and AGIL as described above.
- The methodological adjustment has not been presented on net basis for simplicity as ceded reinsurance is relatively immaterial.
- The differenct approaches in TPs booking in the balance sheet presented above between AGIL and LGI is only presentational and does not impact the calculation of the SCR using the Standard Formula, where a clear distinction has been made between premium receivables (past due) accounted for in Credit risk and premium receivables (not past due), accounted for in the Premium and Reserve risk.
- On GAAP basis, the TPs of AEI post transfer are made of 75% TPs from LGI and 25% TPs from AGIL. The dynamics of AEI liabilities immediately after the Transfer will be driven by the existing liabilities coming from LGI but there will be a good degree of diversification provided by the portfolio coming from AGIL. As AEI writes new business going forward, the business composition might change.
- The investment asset transferred to AEI are made of 89% assets from LGI and 11% from AGIL
- There is a cash injection of 40m Euro (£35.1m) before the Transfer accounted for as cash in the balance sheet and a second cash injection of 29m Euro (£25.8m) immediately after the Transfer which is accounted for in the Investment[10] line of the balance sheet in the table above. Note that there is additional cash injection of 3.6m Euro that is made to AEI to cover for the expenses related to the Transfer, but which has not been included in the starting capital, as that money has already been spent during the Transfer and is not available to support the insurance operations of AEI; therefore we did not include it in the financials when assessing the solvency of AEI. The alternative was to include the 3.6m Euro cash in the assets and post an equal amount in the liabilities to recognise the expenses attached to the 3.6m Euro; therefore, the Own Funds are not impacted.
- AEI SCR ratio is 154% post Transfer. Before the Transfer AEI did not have any liability (under the 'As if' approach), hence no SCR.

[9] The £84.5m gross TPs of AEI excluding the methodological adjustment reconcile with the YE19 gross TPs for AEI in section 6, page 21

[10] The plan is to use the 29m Euro to buy investment assets

## Conclusion

In conclusion, as it can be seen in the table below, the capitalisation of AGIL, LGI and AEI, pre and post Transfer is strong, all ratios are well above 100% and above their individual target buffers.

| 4Q 19 No COVID-19 | | |
|---|---|---|
| **AGIL** | Before Transfer | After Transfer |
| SCR % | 148% | 158% |
| target | 135% | 135% |

| 4Q 19 No COVID-19 | | |
|---|---|---|
| **LGI** | Before Transfer | After Transfer |
| SCR % | 196% | 305% |
| target | 125% | 125% |

| 4Q 19 No COVID-19 | | |
|---|---|---|
| **AEI** | Before Transfer | After Transfer |
| SCR % | n/a | 154% |
| target | 140% | 140% |

The solvency ratio of the non-Transferring policyholders of AGIL and LGI are expected to be improved after the Transfer. The solvency ratio of Transferring policyholders of AGIL to AEI are expected to increase from 148% (AGIL before Transfer) to 154% (AEI after Transfer). The solvency ratio of Transferring policyholders of LGI to AEI is expected to decrease from 196% (LGI before Transfer) to 154% (AEI after Transfer). However, it is my opinion that this apparent loss of financial strength of Transferring LGI policyholders to AEI is only a short-term issue, because as AEI business continues quarter on quarter, profit will be generated as it has been the case when the business was in AGIL and LGI, and this will build up Own Funds progressively. Moreover, the SCR of AEI is artificially increased by the Transfer premium itself and this effect is expected to unwind during 2021.

The business was profitable when it was in AGIL and LGI and there is no reason why that will change when the business is in AEI, a company that will be run in the same business philosophy and strategy as that of AGIL and LGI. The profitability of AEI is expected to remain as strong as it was the case in AGIL and LGI and the Transfer is made on a business as usual basis; therefore, it is not unreasonable to assume that profit will be generated, and Own Funds will be built up progressively with time. The risk and solvency capital requirement might also increase, but not at the same speed as the profit because of the extra diversification benefit in the aggregate risk and capital requirements of AEI, and as a result, the solvency ratio will increase with time. This view is supported by the ORSA forward-looking assessment of AEI that forecasts a SCR ratio of 146% at YE20 and 166% at YE21 for AEI. AEI will also benefit from a letter of support at the date of the transfer from the parent company of AEI.

In conclusion, the Transferring and non-Transferring policyholders of AGIL and LGI will benefit from well capitalised companies.

In this section we use the assessment done in the section above and apply the impact of COVID-19, estimated as at YE19.[11]

The impact of COVID-19 on the liabilities is assumed to be an uplift to the Technical Provision of 3% for LGI and 2% for AGIL. These impacts have been derived by a combination of qualitative information and quantitative assessments of movements in claims in the first quarter of 2020. The impact of COVID-19 on the assets is assumed to be a reduction of asset values by 5% for AGIL's short term assets and 3% for LGI's assets which have a longer term. The impacts on the assets is based on actual movements in assets values observed in the first quarter of year 2020.

In assessing the likely impact of COVID-19 pandemic outbreak, we have considered the mortality increase (mainly of the over 70), the increase in unemployment, the disruption of supply-chains and its impact on cost of repairs of gadgets and cars, the loss of assets values across stock exchanges across the world and the general economic slowdown. Note that COVID-19 situation is still unfolding and there is uncertainty to what the ultimate impact of COVID-19 will be on the liabilities and also on the assets side of the balance sheet.

We note the following non exhaustive list of remarks with regards to insurance liabilities:

*Creditor - Mortgage Protection*

[11] COVID-19 was not yet an issue at YE19. However, we have done a "as-if" assessment of COVID-19 on the "as-if" YE19 Transfer at YE19 to assess the impact that disease might have on the Scheme.

COVID-19 has increased mortality of the over 70s (mainly). However, at that end of the age spectrum, policyholders with Mortgage Protection might be nearing the end of their policy term and the sum assured (generally the remaining mortgage liability) is relatively not material. Most mortgage lenders do not lend with terms going over the age of 75. The products offered by AGIL and LGI generally stop at age 65. Therefore, the impact on Mortgage Protection might not be material.

*Creditor – Personal loans, consumer loans, car finance, etc.*

Due to the general economic slowdown and the increase in unemployment, there will be pressure on households' finances and there might be an increase in missing payments and defaults on personal finance loans insured by LGI and AGIL in their Creditor books.

*Creditor – Unemployment, Disability, Illness*

There is an increase in unemployment due to the economic slowdown induced by COVID-19 and AGIL/LGI policyholders might be affected. The income protection policies sold by AGIL/LGI are generally protecting for unemployment due to specific personal health reasons and also for economic downturn reasons. Therefore, there might be a significant number of policyholders likely to claim, i.e. those who lost their jobs because they contracted COVID-19 infection, and those who lost their jobs because their company had to lay off staff due to slowing down of business. However, the income protection policies generally have exclusions, or they specify the type of disease that can be claimed against, the period of illness, etc. Nevertheless, it is expected that overall, there will be some significant claims coming through under the income protection policies for unemployment, illness or disability as the full health impact of COVID-19 is very uncertain and many claims might qualify under the terms of the income protection policies. This eventuality is allowed for through the TPs stress, 3% for LGI and 2% for AGIL.

*Motor – GAP*

The economic downturn might affect the second-hand car market whereby the market value of cars might drop, thus increasing the loss to Assurant where cover for GAP insurance was provided. On the other hand, less cars on the roads due to the restrictions on people's mobility means less accidents and less loss of values for cars.

*Mobile Phones*

Cost of repairs will increase as supply-chains are disrupted. Also, frequency of claims might be impacted. Very early observation from claims indicates a decrease in claims frequency for mobile phones insurance and an increase in severity, therefore inferring a neutral impact on mobile phone incurred claims. However, it is too early to have a clear view on the ultimate claims, and the incurred claims frequency can go up as the data is still emerging. As the confinement goes on, or later when the confinement will be over, there might be a surge in claims reporting as people can then walk in to police stations to report theft or loss of their phones. In addition, as there is an increase usage of connected devices at home during confinement, breakdowns and damages might emerge as confinement goes on. Therefore, there is a likelihood of increase in claims for AGIL.

The Solvency II financials stressed with the impact of COVID-19 are presented below. In these financials, the impact of COVID-19 in the TPs and Assets is allowed for in the Before Scheme, Impact of Scheme and After Scheme.

**AGIL**

| Solvency II balance sheet (with COVID-19 impact) (£m) | Before Transfer | Impact of Transfer | After Transfer |
|---|---|---|---|
| **Assets:** | | | |
| Cash | 5.3 | 0.0 | 5.3 |
| Investments | 74.5 | (8.0) | 66.5 |
| DAC | 0.0 | 0.0 | 0.0 |
| Ceded Technical Provisions | 2.9 | (3.5) | (0.6) |
| Other assets | 83.0 | (19.2) | 63.7 |
| **Total assets** | **165.7** | **(30.8)** | **134.9** |
| **Liabilities:** | | | |
| Gross tech provisions (excl risk margin) | 22.8 | (20.7) | 2.1 |
| Risk margin | 4.3 | (3.9) | 0.4 |
| RI DAC | 0.0 | 0.0 | 0.0 |

| | | | |
|---|---|---|---|
| Other liabilities | 55.0 | (5.9) | 49.2 |
| **Total liabilities** | **82.1** | **(30.4)** | **51.7** |
| Excess of assets over liabilities | 83.6 | (0.4) | 83.3 |

**AGIL**

| SII Capital (with COVID-19 impact) (£m) | Before Transfer | After Transfer |
|---|---|---|
| **Eligible Own Funds** | 83.6 | 83.3 |
| **Solvency Capital Requirement (SCR)** | 59.6 | 54.9 |
| **SCR %** | **140%** | **152%** |

- The SCR ratio of AGIL is expected to move from 140% pre-transfer to 152% post-Transfer

**LGI**

| Solvency II balance sheet (£m) | Before Transfer | Recapture of QS | Impact of Transfer | Dividend | After Transfer |
|---|---|---|---|---|---|
| **Assets:** | | | | | |
| Cash | 4.5 | 0.0 | 0.0 | 0.0 | 4.5 |
| Investments | 171.8 | 0.0 | (64.1) | (25.0) | 82.7 |
| DAC | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Ceded technical provisions | 18.7 | (13.3) | 0.3 | 0.0 | 5.7 |
| Other assets | 5.2 | 15.4 | (15.4) | 0.0 | 5.2 |
| **Total assets** | **200.2** | **2.1** | **(79.2)** | **(25.0)** | **98.1** |
| **Liabilities:** | | | | | |
| Gross tech provisions (excl risk margin) | 99.0 | 0.0 | (66.2) | 0.0 | 32.8 |
| Risk margin | 4.7 | 0.0 | (3.2) | 0.0 | 1.6 |
| RI DAC | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other liabilities | 13.4 | 0.0 | (8.3) | 0.0 | 5.0 |
| **Total liabilities** | **117.1** | **0.0** | **(77.7)** | **0.0** | **39.4** |
| Excess of assets over liabilities | 83.1 | 2.1 | (1.5) | (25.0) | 58.7 |

**LGI**

| Capital (£m) | Before Scheme | After Scheme |
|---|---|---|
| **Eligible Own Funds** | 83.1 | 58.7 |
| **Solvency Capital Requirement (SCR)** | 46.2 | 20.4 |
| **SCR %** | **180%** | **288%** |

- The SCR ratio of LGI has moved from 180% pre-transfer to 288% post-Transfer.

| **AEI** Solvency II balance sheet (£m) | Before Transfer | Impact of Transfer: Methodology Adjustment | Impact of Transfer: Back Book Portfolio | Additional Assets transferred for Covid-19 | PVII Sh Cap Inj | After Transfer |
|---|---|---|---|---|---|---|
| **Assets:** | | | | | | |
| Cash | 35.1 | 0.0 | 0.0 | 0.3 | 0.0 | 35.4 |
| Investments | 0.0 | 0.0 | 72.1 | 1.3 | 25.8 | 99.3 |
| DAC | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Ceded technical provisions | 0.0 | 0.0 | 3.2 | 0.0 | 0.0 | 3.2 |
| Other assets | 0.0 | 7.6 | 34.6 | 0.0 | 0.0 | 42.3 |
| **Total assets** | **35.1** | **7.6** | **110.0** | **1.7** | **25.8** | **180.2** |
| **Liabilities:** | | | | | | |
| Gross tech provisions (excl risk margin) | 0.0 | 7.6 | 86.9 | 0.0 | 0.0 | 94.5 |
| Risk margin | 0.0 | 0.0 | 7.0 | 0.0 | 0.0 | 7.0 |

| | | | | | | |
|---|---|---|---|---|---|---|
| RI DAC | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other liabilities | 0.0 | 0.0 | 14.2 | 0.0 | 0.0 | 14.2 |
| **Total liabilities** | **0.0** | **7.6** | **108.1** | **0.0** | **0.0** | **115.8** |
| Excess of assets over liabilities | 35.1 | 0.0 | 1.8 | 1.7 | 25.8 | 64.4 |
| Adjustments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

## AEI

| Capital (£m) | Before Transfer | After Transfer | After Transfer (no additional assets for COVID-19) |
|---|---|---|---|
| **Eligible Own Funds** | 35.1 | 64.4 | 62.7 |
| **Solvency Capital Requirement (SCR)** | 0.0 | 43.5 | 43.5 |
| **SCR %** | **n/a** | **148%** | **144%** |

- Additional asset value of £1.7m has been injected to cover the impact of COVID-19 and that brings AEI SCR ratio to 148%.
- Note that if the additional £1.7m of asset for COVID-19 is not provided and AEI takes the COVID-19 hit without additional external capital, the SCR ratio is 144%. This demonstrates that the current planned level of capitalisation of AEI is enough to absorb the impact of COVID-19 and AEI will remain well above its solvency target.

**Conclusion**

| 4Q 19 With COVID-19 | | |
|---|---|---|
| **AGIL** | Before Transfer | After Transfer |
| SCR % | 140% | 152% |
| target | 135% | 135% |

| 4Q 19 With COVID-19 | | |
|---|---|---|
| **LGI** | Before Transfer | After Transfer |
| SCR % | 180% | 288% |
| target | 125% | 125% |

| 4Q 19 With COVID-19 | | |
|---|---|---|
| **AEI** | Before Transfer | After Transfer |
| SCR % | n/a | 148% |
| target | 140% | 140% |

When the impact of COVID-19 is allowed for, the SCR ratios of LGI, AGIL and AEI remain high, above the capital buffers for each of these companies before and after the Transfer. The SCR ratio of AEI post Scheme is 148% with additional £1.7m cash injection for COVID-19 impact and 144% when no additional cash is injected to AEI for COVID-19. As a conclusion, we can say that the “as-if” Transfer is fully resilient to COVID-19.

The roll forward of capital position of AGIL, LGI and AEI to 3Q20, on before and after Transfer basis can be found in the tables below. This roll-forward to 3Q20 allows for the planned business of year 2020 and includes the impact of COVID-19 (with a 3Q20 view). The roll forward assumes that AGIL will write some business according to the plan of 2020 while LGI does not write new business but runs-off the existing business.

| 3Q 20 With COVID-19 | | |
|---|---|---|
| **AGIL** | Before Transfer | After Transfer |
| SCR % | 172% | 184% |
| target | 135% | 135% |

| 3Q 20 With COVID-19 | | |
|---|---|---|
| **LGI** | Before Transfer | After Transfer |
| SCR % | 215% | 262% |
| target | 125% | 125% |

| 3Q 20 With COVID-19 | | |
|---|---|---|
| **AEI** | Before Transfer | After Transfer |
| SCR % | 170% | 151% |
| target | 140% | 140% |

The 3Q20 position assumes the impact of COVID-19 on the TPs to be a 3% uplift in LGI's gross TPs and 2% in AGIL's gross TPs. The volume and mix of business written will also be impacted. The impact on assets is a 5% drop in assets value for AGIL's assets and 3% drop for LGI's assets.

Additional assets totalling £2m[12] have been injected to AEI to cover for the impact of COVID-19 at 3Q20 and as a result, the AEI SCR ratio that was projected to be 170% before the Part VII Transfer is projected to 151% post Transfer. Note that the SCR ratio of 170% before Transfer was only based on Front book assets and capital of 40m Euro and three months of new business written by AEI. Therefore, the Before Transfer position is not representative of AEI portfolio going forward, as it was a transitional state of the business, with only a small proportion of liabilities with a big asset cover. If the additional asset of £2m necessary to cover the COVID-19 impact is financed by AEI, the SCR% drops to 146%. However, it is understood that the additional £2m will come from LGI and the dividend paid by LGI will increase in that case.

On a roll-forward 3Q20 basis and allowing for the impact of COVID-19, the SCR ratios are all above 100% and well above their individual targets. The Transferring and non-Transferring policyholders of AGIL and LGI benefit from strong capitalisation pre and post Transfer. As discussed in the conclusion of section 4.2.1, the SCR ratio of AEI is projected to improve with time and it is forecasted in the ORSA to be 146% at YE20 and 166% at YE21.

**Assurant General Insurance Limited (AGIL)**

AGIL is an authorised provider of general insurance contracts regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) in the United Kingdom.

AGIL currently underwrites Mobile Phone insurance, gadget insurance, extended warranty insurance, furniture insurance and creditor insurance. The underlying risks, or lines of business, associated with these products are property, extended warranty, miscellaneous financial loss and NSLT income protection, which is health insurance not managed using life techniques.

AGIL currently primarily underwrites business in the UK, Germany, Italy, Spain and France but also has business in Hungary, Sweden, Ireland and Romania. Policies are sold mainly via retailers and other third party clients but there is also some direct business (under the "Protect Your Bubble" brand).

The risks underwritten by AGIL have changed over recent years as the strategy has moved from longer term creditor and furniture business to short term property risks.

The core product offering is mobile phone, gadget and extended warranty insurance, which covers the repair or replacement of goods in the event of loss, damage, theft or breakdown. The risk factors that influence the profitability of the business are the number of claims, the average amount of claims, exposure changes and changes in the underlying cost of doing business.

The legacy creditor insurance pays claims if a policyholder is made unemployed or is off work sick. The most significant event that will impact the claims performance is a recessionary event, although changes to employment laws will also have a material impact. The payment protection insurance redress process in the UK raised awareness of creditor insurance but has not had a material impact on the loss experience of AGIL.

The claims for policies sold in Italy, Spain and Germany are handled by a third party administrator (TPA). AGIL must maintain a close relationship with the TPA and monitor claims experience to ensure that claims underwriting is being carried out as agreed in the contract. A deterioration in claims experience would result if the TPA were paying more claims than it should be (for example more replacement claims were being paid than repair claims) and if the claims were being paid for either a higher amount for property claims or for longer for creditor claims.

AGIL also underwrites Creditor risks but this business has not been actively underwritten in several years. ALL policies are understood to be separate and that there are not believed to be any combined policies (ie there are not believed to be any customers holding policies in both AGIL and ALL).

[12] The £2m additional assets due to the impact of COVID-19 is not included in the second cash injection of £25.8m of 3Q20. Similarly, at YE19, the additional COVID-19 related additional £1.7m is not included in the second cash injection of £25.8m

**London General Insurance Company Limited (LGI)**

LGI is an authorised provider of general insurance contracts regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) in the United Kingdom.

LGI specialises in the underwriting of three core product lines:

- Motor Warranty, including Guaranteed Asset Protection (GAP) and ancillary insurances;
- Appliance & Technology including warranty, theft and accidental damage; and,
- Creditor including unemployment and accident and sickness.

These are primarily consumer insurance products that are marketed across Europe through a combination of branches and freedom of service arrangements. These are distributed on a Business-to-Business basis through relationships with a range of motor dealers, manufacturers, retailers, financial institutions and other distributors.

LGI also underwrites jointly some life insurance products with LGL and ALL. The Transfer of the business related to the life insurance is done separately. It is worth noting that LGI contains 3,862 policies in Netherlands and Belgium which are combined with corresponding policies in LGL's sister company London General Life ("LGL"). These are policies where a single customer can hold a combined policy in both LGL and LGI.

LGI is exiting the Creditor business progressively, placing the existing Creditor portfolio into run-off and not writing new Creditor business.

**Assurant Europe Insurance NV (AEI)**

AEI will write business in multiple EEA countries, offering the products currently offered by AGIL and LGI.

Assurant Europe's preference is to write business through Freedom Of Service (FOS) initially while the business is being established in order to facilitate the most expeditious solution to the issues posed by the UK's departure from the EU.

The Technical Provisions (excluding risk margin) Solvency II basis are summarised below for the Transferors (AGIL and LGI) and transferee (AEI) entities.

**Gross** TPs £000s
As at YE 2019

| | Before Scheme | | | After Scheme | | |
|---|---|---|---|---|---|---|
| **AGIL** | UK | EU | Total | UK | EU | Total |
| Claims Provision | 6,609 | 7,689 | 14,298 | 6,609 | 0 | 6,609 |
| Premium Provision | (4,538) | 12,607 | 8,069 | (4,538) | 0 | (4,538) |
| Total | 2,071 | 20,296 | 22,367 | 2,071 | 0 | 2,071 |

| | Before Scheme | | | | | After Scheme | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **LGI** | UK | Switzerland | South Africa | EU | Total | UK | Switzerland | South Africa | EU | Total |
| Claims Provision | 1,805 | 18 | 142 | 29,036 | 31,001 | 1,805 | 18 | 142 | 0 | 1,965 |
| Premium Provision | 29,275 | 382 | 233 | 35,214 | 65,104 | 29,275 | 382 | 233 | 0 | 29,890 |
| Total | 31,080 | 401 | 375 | 64,249 | 96,105 | 31,080 | 401 | 375 | 0 | 31,855 |

| | Before Scheme | | | | | After Scheme | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **AEI** | UK | Switzerland | South Africa | EU | Total | UK | Switzerland | South Africa | EU | Total |
| Claims Provision | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 36,725 | 36,725 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Premium Provision | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 47,821 | 47,821 |
| Total | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 84,546 | 84,546 |

Note that the £84.5m gross TPs of AEI post Transfer in the table above is made of £20.3m booked gross TPs from AGIL and £64.2m booked gross TPs from LGI as at YE19. Note that AGIL's booked TPs are gross of premium receivables (past due) while booked TPs of LGI are net of premium receivables (past due).

Ceded TPs £000s
As at YE 2019

| | Before Scheme | | | After Scheme | | |
|---|---|---|---|---|---|---|
| **AGIL** | UK | EU | Total | UK | EU | Total |
| Claims Provision | 695 | 2,656 | 3,351 | 695 | 0 | 695 |
| Premium Provision | (1,263) | 787 | (476) | (1,263) | 0 | (1,263) |
| Total | (567) | 3,443 | 2,875 | (567) | 0 | (567) |

| | Before Scheme | | | | | After Scheme | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **LGI** | UK | Switzerland | South Africa | EU | Total | UK | Switzerland | South Africa | EU | Total |
| Claims Provision | 576 | 0 | 0 | 85 | 661 | 576 | 0 | 0 | 0 | 576 |
| Premium Provision | 4,952 | 0 | (7) | (396) | 4,550 | 4,952 | 0 | (7) | 0 | 4,945 |
| Total | 5,528 | 0 | (7) | (311) | 5,211 | 5,528 | 0 | (7) | 0 | 5,521 |

| | Before Scheme | | | | | After Scheme | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **AEI** | UK | Switzerland | South Africa | EU | Total | UK | Switzerland | South Africa | EU | Total |
| Claims Provision | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,741 | 2,741 |
| Premium Provision | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 391 | 391 |
| Total | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,132 | 3,132 |

The EU portfolios to be transferred represent 91% of AGIL and 67% of LGI portfolios before the Transfer, from a gross Solvency II Technical Provision (excluding risk margin) point of view. Note however that LGI is significantly bigger than AGIL in terms of Solvency II Technical Provisions. After the Transfer, AEI will be significantly bigger than AGIL and LGI and the portfolio dynamics of AEI will be dominated by the LGI profile.

I have no reason to believe that either the Solvency II Technical Provisions or GAAP reserves lie outside a range of reasonable best estimates.

In addition, I have concluded that, whilst I consider that elements of the reserving at year end 2019 and the roll-forward to 30 September 2020 may err on the side of caution, I do not consider the best estimate reserves for the Transferring portfolios and the Transferee portfolio to lie outside the range of plausible outcomes.

Generally, AGIL and LGI do not rely upon reinsurance as a key insurance risk management tool but in recent years, both companies have made use of reinsurance to enhance their capital management. In addition, as part of the overall commercial structure of the relationship, certain client relationships use reinsurance as a key part of the commercial arrangement. Where appropriate AEI plans to adopt similar structures. However, AEI will not adopt the 20% Quota Share intragroup reinsurance that is in place between an insurance company of the Assurant Group and LGI.

### Current key reinsurance relationships

#### - Intra Group - Quota Share Reinsurance

20% of all Auto Non-Life insurance business written in EUR and PLN is reinsured on a quota share basis with an Assurant Group entity based in Illinois, USA, that holds an AM Best A- rating. It is intended that the EU-27 component of this reinsurance arrangement will be unwound as part of the Part VII. AEI does not intend to rely on this treaty.

#### - Reinsurance with Individual Clients

Reinsurance with individual clients can arise in various ways. These use captive insurers of the relevant clients or existing client relationships with professional reinsurers to secure risk and profit participation. As part of the commercial negotiations with a client, it is sometimes agreed that AGIL or LGI transfers (or "cedes") a certain proportion of the underwriting risk to the client's preferred captive or external insurer by way of reinsurance. Alternatively, there may be elements of the product offering for which AGIL or LGI has limited underwriting experience or appetite in such situations AGIL or LGI will seek to utilise reinsurance arrangement to manage the risk and share the underwriting returns with the client.

All client specific reinsurances apply before the 20% intra group quota share arrangement in the case of LGI business.

Some examples of client specific reinsurance:

- In 2018 Assurant Group UK Ltd entered into a new 100% quota share reinsurance agreement with the captive insurance company of a client, a major player in the mobile phone industry across Europe (including the UK), client of AGIL. Assurant Europe Insurance will underwrite Mobile Phone insurance (MPI) policies for that client's customers across Europe (including the UK) and cede the underwriting risk to the captive insurance company of the client.
- There is a 33.33% quota share reinsurance agreement in place between LGI and a UK branch of an international reinsurer designated by a client, a worldwide car manufacturer, to cover the operations of the client in Europe (including the UK).
- LGI, UK Motor Gap business – there is a Catastrophe Excess Of Loss XoL(£14.5m Xs £0.5m) in place between LGI and a company of the Assurant Group in the US protecting the UK Motor Gap insurance business of LGI.

The client specific reinsurance contracts will be transferred where applicable[13] under Part VII when the policies move from AGIL/LGI to AEI. For example, the worldwide car manufacturer client (bullet point two above) intends to transfer the existing reinsurance arrangement with LGI for its European operations with AEI by using a European entity of the designated international reinsurer while the UK operations of the car manufacturer reinsurance continue as usual with the UK branch of the same international reinsurer. The agreements with regards to reinsurance contracts transfer are underway where necessary and form a part of the Transfer where applicable.

The impact of transferring these reinsurance arrangements is not foreseen to materially impact the books as the key terms of the contracts should remain the same.

Assets will be transferred to AEI with the liabilities in the Scheme with the aim of not making profit from the Part VII transaction and maintaining a strong capital position (target SCR cover of not less than 140%). At this stage, only the monetary value of the assets to be transferred to AEI is forecasted. However, at present the view is for AGIL the Transfer should be of mainly assets held by Aberdeen asset management and for LGI, it will be bonds held by Blackrock. Generally, investment assets are held for premium provisions and long term claims provisions while cash is held for a proportion of claims provisions due in a relatively short term.

[13] Some reinsurance agreements will be transferred under the Scheme, some will be transferred outside of the Scheme

AGIL and LGI maintain an asset and liability management whereby the duration of assets and the duration of liabilities are matched, and this will be taken into consideration when moving assets and liabilities during the Transfer so that the assets and liabilities of AEI post-Transfer are matched in duration. AGIL has short term liabilities and assets while the liabilities of LGI are of a relatively longer term, so are the assets. The investment strategy of AEI post-Transfer will be broadly in line with that of AGIL and LGI before the Transfer, as it will be following the same Assurant Group investment philosophy. After the Transfer there will remain indemnities under the Scheme between the companies (where needed) as well.

AGIL regulatory capital is calculated using the Solvency II Standard Formula. AGIL business is short-term, low volatility business concentrating on a small number of general insurance products and the Standard Formula is deemed appropriate for calculating the regulatory capital. However, for the ORSA capital, AGIL uses a model built in AON's Remetrica system.

LGI regulatory capital is calculated using the Solvency II Standard Formula with Undertaking Specific Parameters (USPs) to account for the specific nature of the business written by LGI. The internal view of capital, the ORSA view of economic capital is calculated by Solvency II Standard Formula spreadsheets and an Igloo model. Post-Transfer, LGI capital calculation will still follow Solvency II, and it is planned that the USP parameterisation will be refreshed to reflect the removal of the European business data from LGI.

LGI and AGIL capital is managed on two distinct bases - regulatory capital and ORSA view of economic capital;

- the regulatory capital requirement (SCR) plus an appropriate risk appetite buffer set at 35% for AGIL and 25% LGI
- the economic view of capital required (ECR). This is essentially the ORSA capital requirement.

AEI capital management will follow the same approach, i.e. it will be based on the Standard Formula for the regulatory capital (SCR), risk appetite buffer and internal (ORSA) view of capital. AEI does not currently intend to apply for a waiver to utilise a USP as it will take several years for AEI's data set to develop sufficiently to allow a USP to reflect its risk profile. AEI intends to set a risk appetite buffer at 40%, meaning that the SCR ratio should not be less than 140%, which is a strong capital position and is in line with AEI's Capital Management Policy.

**YE 19**

For the "as-if" Transfer as at YE19 (without the impact of COVID-19), the capital position is as follows:

| £m | Pre-Transfer (as at 4Q19) | | | Post-Transfer (as at 4Q19 + impact of Transfer) | | |
|---|---|---|---|---|---|---|
| | AGIL | LGI | AEI | AGIL | LGI | AEI |
| Eligible Own Funds | 87.9 | 90.8 | 35.1 | 86.8 | 62.0 | 66.8 |
| Regulatory SCR | 59.6 | 46.2 | 0.0 | 54.9 | 20.4 | 43.5 |
| SCR% | 148% | 196% | n/a | 158% | 305% | 154% |
| Risk Appetite buffer target | 135% | 125% | 140% | 135% | 125% | 140% |
| Surplus (over the target buffer) | 7.5 | 33.0 | 35.1 | 12.7 | 36.6 | 5.9 |

It can be seen from the table above that all legal entities involved in the Transfer are well capitalised and remain strongly capitalised after the Transfer. AGIL and LGI have lost Own Funds of £1.1m and £28.7[14]m respectively. On the other hand, there has been capital injection in AEI of £35.1m (40m Euro) before and £25.8m (29m Euro) immediately after the Transfer[15] so that the SCR coverage is 154% for AEI post-Transfer, which is well above the minimum target of 140%.

[14] The £28.7m drop in Own Funds for LGI include the £25.8m dividend paid to fund AEI second cash injection.

[15] In the "as-if" Transfer scenario, the initial cash injection of 40m Euro and the additional cash injection of 29m Euro made before and after the Transfer to AEI are assumed to take place the same day, on 31 December 2019. However, in the actual

**Roll forward to 3Q20**

We have rolled forward the financial assessment of the Transfer to the end of 3Q20 to present the view of capital to the last quarter end before the actual Transfer.
At 3Q20, before and after the Transfer, the SCR, risk appetite buffer and economic view of capital are as follows:

| £m | Pre-Transfer (as at 3Q20) | | | Post-Transfer (as at 3Q20 + impact of Transfer) | | |
|---|---|---|---|---|---|---|
| | AGIL | LGI | AEI | AGIL | LGI | AEI |
| Eligible Own Funds | 90.0 | 82.1 | 30.2 | 87.4 | 53.3 | 65.7 |
| Regulatory SCR | 52.2 | 38.2 | 17.7 | 47.5 | 20.4 | 43.5 |
| SCR% | 172% | 215% | 170% | 184% | 262% | 151% |
| Risk Appetite buffer target | 135% | 125% | 140% | 135% | 125% | 140% |
| Surplus (over the target buffer) | 19.5 | 34.3 | 5.3 | 23.3 | 27.8 | 4.8 |

The financials as at 3Q20 take into account the business plan of 2020 and also incorporate our assumptions with regards to the impact of COVID-19. In the roll-forward assumptions, AGIL writes some new business in 2020 while LGI volumes are assumed to remain stable up to the Transfer. These assumptions are consistent with the business strategies of AGIL and LGI as AGIL is increasing its "Connected Living" portfolio while LGI is de-risking by exiting progressively the Creditor business that was a significant part of LGI's portfolio. However, we have assumed that COVID-19 will impact the volume and mix of business written in 2020.
The solvency position of all the companies involved in the Scheme, pre and post-Transfer forecasted at end 3Q20 is very good even with the impact of COVID-19 as can be seen in the table above.

The Transfer will move the euro liabilities and assets to AEI, leaving the GBP, ZAR and CHF liabilities and assets in LGI and AGIL[16], if any. Post-Transfer, the risk of FX movement will be lesser on AGIL, LGI and AEI compared to the pre-transfer FX risk exposure at AGIL and LGI when liabilities and assets in GBP, ZAR, CHF and Euro were held. AEI being a subsidiary of a UK group, TWGE, there will still be an FX impact in doing the consolidated group reporting at TWGE level.

**Policyholder tax**

There should be no changes to policyholder taxation. IPT is due and payable based on where the risk is located. For the type of risks insured by AGIL and LGI, this is deemed to be the country of residence of the policyholder. It therefore makes no difference whether the insurance company is in the UK or in the Netherlands and whether written via a branch or FOS. For example, if the policyholder is Spanish, Spanish IPT is payable now by AGIL/LGI and will be payable in the future by AEI.

**Corporation tax**

The working assumption is that all transferred assets balance with transferred liabilities, thus a neutral transfer. The Scheme follows a "Two buckets approach" whereby front book transfers in July, prior to the back book with Part VII in October.

The assets and liabilities to be transferred as part of the proposed transactions can be split into two categories:

*"Back book"* – the existing insurance liabilities arising from business already written in the respective EU branches (and AGIL head office in the context of EU FoS business) and the required investment assets to support these insurance liabilities. This will be undertaken by way of a court-approved Part VII transfer.

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Transfer process, the initial cash injection of 40m Euro has been allocated during the submission to the DNB for authorization of AEI. The second capital injection of 29m Euro will be made before the High Court hearing.

[16] AGIL does not hold ZAR and CHF business

Assets (i.e. investments, etc) and liabilities transferred should be the same value such that there is a net nil value transfer from AGIL/LGI to AEI (on GAAP accounting basis). The result of this should be to achieve no taxable gain arising in the UK or any of the other branch territories of AGIL/LGI.

*"Front book"* – all assets required to be transferred for the respective EU FoE branches of AEI (and AEI head office in the context of EU FoS business) to be able to write future business in their territory. Please note that to the extent it exists, goodwill would be included in the Transferring assets.

Value of goodwill/customer relationships will transfer in July with the front book. This may trigger taxable gains in July (dependent on valuations of the businesses based on entity forecasts), i.e. no impact arising as a result of the Part VII.

The tax impact relating to transfer of "goodwill" (intangibles related to customer contracts/relationships) relates to the front book as opposed to the Part VII transfer. In terms of understanding the impact of the tax implications of the front book transfer on the balance sheets, capital position of AGIL and LGI, this depends entirely on the valuation of the goodwill. The valuations are still being prepared and reviewed internally and once finalized will be sent to external consultants for review. At the time of writing this report, the approximate estimate of tax impact is a P&L impact is in a range of £1 to £3m total for both AGIL and LGI. From a group perspective, this might be more than offset by a crystallisation of a deferred tax asset for AEI. However, these estimates are still under review at the time of writing this report. No adjustment is made in the financials presented in this report for the impact of these tax items.

Overall, it is expected that the risk profile of the Assurant Group from the top (Europe and UK entities combined) will not change, as the business just moves between entities of the group, nothing goes out of the group and nothing comes in during the Transfer. At legal entity level, the aggregate risk will decrease for LGI and AGIL while it becomes significant for the new entity AEI, whose risk will be globally higher than that of AGIL and LGI individually. At risk category level, insurance risk, market risk, credit risk and operational risk will all decrease for AGIL and LGI during the Transfer. AEI as a new entity, will have insurance risk, market risk, credit risk and operational risk higher than the corresponding AGIL and LGI individual risks categories. Thus, the aggregate risk for AEI will be higher than that of AGIL and LGI post-Transfer. However, AEI will benefit from higher diversification benefit while diversification benefit reduces for AGIL and LGI.

Although the risk profile at legal entity and risk category levels will change for LGI, AGIL and AEI, the risk management for those legal entities follow similar frameworks where robust controls, risk surveillance and risk mitigation are well in place.

**Legal entity level**

**Risk category level**

AGIL and LGI have clearly identified the Transferring policies, assets, liabilities and the residual (UK and Switzerland) ones that will remain, and the possibility of a delay in policies transferring if there is any delay in the life scheme. The financial strength of the Transferors and transferee entity is not adversely impacted by the Scheme as additional cash injection[17] is planned so that the solvability of all entities involved remains strong. Moreover, after the Brexit transition period, to avoid having to mass cancel in-force business, the Scheme will need to have been completed. Hence the act of carrying out the proposed Transfer is a big positive from a policyholder protection standpoint as it is the only way that guarantees that AGL and TWGE can continue to service the run-off business in the EU_27 after 31 December 2020.

After the Transfer, the Transferring policyholders will have a policy with AEI rather than AGIL or LGI. There is no foreseen significant change in the terms of the existing Transferring policies being transferred other than the names of the companies that will change from AGIL/LGI to AEI. However, certain reinsurance contracts and

[17] 40m Euro initial cash injection and 29m Euro additional cash injections

business relations contracts (B2B contracts) might be adapted, depending on the legal framework of transferability. See Other considerations section of the report, section 16.

Post-Transfer, the policy and claims administration of AEI will be handled as follows: AGIL business will be handled by the existing intermediaries/administrators while LGI business will be handled by Assurant Europe Services (AES), a services provider company similar to the existing The Warranty Group Services (TWGS) that services the existing policies of TWGE and AGL and will continue to do so for the UK policies after the Transfer. It is not anticipated that there will be material changes in expense levels or any change in quality of service of policy and claims administration as a result of the Scheme that will create an adverse impact to the policyholders being transferred or remaining. It is worth noting that the expense allocation between the companies is designed to allow the Dutch companies to remain profitable in the early stages of growth and the TPs in this report reflect a pro-rate allocation of costs between the entities rather than this cross- subsidy for the purposes of modelling a prudent position for the new AEI entity.

There are four strands to the communication strategy relating to the Transfer:

(1) notify transferring policyholders and other affected parties (by email or by post);

(2) publish formal notices in newspapers/gazettes in the relevant territories;

(3) seek a waiver from the notification requirements for non-transferring policyholders or where direct policyholder notification is impractical; and

(4) seek a waiver from newspaper/gazette notices in EU territories other than those relating to the transferring policies.

In assessing the effectiveness of the strategy, heightened product awareness will play a key role, especially for products such as Creditor books where there can be late settlements.

However, it might not be possible to reach out to every and each policyholder due to various factors such as change of address and non-responding contact details. Therefore, a proportionate and reasonable approach is expected to be taken, including seeking for a waiver from the requirement to notify policyholders whose policies are not transferring and policyholders of expired policies.

For such policyholders, reliance will be placed upon the notices to be published in the national publication in each relevant territory and notice to the relevant clients and intermediaries through whom the policies were sold. Note that the current view is that non-Transferring policyholders remaining in AGIL and LGI in the UK will not be notified as to do so would be confusing to them given the limited materiality of the Transfer to individual policyholders and the continued high solvency cover of the UK policies.

In assessing the impact of such notifications heightened product awareness may play a key role, especially for products such as Creditor books where there can be late notification of claims. Basically, the aim is to notify all policyholders within the reserves, and we note that this might trigger an awakening of dormant claims. However, the claims liability estimation is such that the best estimate liability has already included these late reporting claims and no additional provision is needed. The review of the reserving for the purpose of the Transfer has not detected any material deviation from best practice in the current reserving and roll-forward assumptions; therefore, the reserves are deemed strong.

There is no foreseen change in policyholder benefits after the Transfer as all policy terms and conditions and administration arrangements will remain fundamentally the same.

Application of policy terms and conditions and exercise of appropriate management discretion in dealing with claims is not anticipated to change as all parties remain part of the same Assurant Europe Group and apply consistent corporate policies (such as Product Governance and Treating Customer Fairly)

However, there is a difference in policyholder protection in relation to insurer insolvency arising from the Transfer. There is no equivalent to the UK Financial Services Compensation Scheme (FSCS) in the Netherlands to protect policyholders of Dutch insurers in case of insolvency. Thus, nominally Transferring policyholders will lose an element of contingent financial protection through the Transfer.

Note that the purpose of the Transfer is not for a commercial gain. Brexit means that (based on current legal provisions) AGIL and LGI, as UK authorised insurance undertakings, will no longer have the ability to effect contracts of insurance in the EEA and are unlikely to be able to continue to carry out those contracts of insurance that were originally sold in EEA Member States after the expiry of the Transition Period, due to their inability to continue to "passport" into those jurisdictions under the relevant provisions of the Solvency II Directive. Thus Assurant Europe Group has established a new Dutch insurer, Assurant Europe Insurance NV, (which was authorised by DNB on 9 June 2020 as referred to in section 1 above) to enable existing business of AGIL and LGI to be serviced within Assurant Europe Group and for similar new business to be conducted after Brexit.

In the case of the Transferring creditor business of LGI, this is understood to consist of policies written in conjunction with life insurance policies of London General Life Company (LGL). A creditor policy written conjointly by LGL and LGI consists of single document referring separately to LGL and LGI. With this in mind, in order to be effective in respect of the creditor business, this Transfer will need to be made for both the Non-Life (AGIL/LGI to AEI) and Life (ALL/LGL to AEL) schemes concurrently and hence both schemes will need to proceed in order for this transfer to be fully effective.

Based on the planned capital and solvency management of AEI (which includes a letter of support at the date of the transfer from the parent company of AEI) this is not deemed to be a material issue. I emphasise that the Scheme is being pursued because of Brexit and not for commercial gain. The loss of FSCS is a consequence of AGIL and LGI having to implement the Transfer as they may not be able to lawfully carry on the Transferring Business after the transitional period.

The solvency ratio of AEI is 154% post-Transfer as at YE19 basis without COVID-19 impact and 151% post-Transfer as at 3Q20 basis with impact of COVID-19, more than the target of 140%. This is a strong capitalisation. Further, the ORSA projects the solvency ratio of AEI to increase to 146% at YE20 and 166% at YE21, demonstrating the increasing financial strength of AEI from which the Transferring policyholders will benefit, making the prospect of insolvency very remote. Hence my opinion is that I do not consider that there to be a material adverse effect on the Transferring policyholders in relation to security as a result of the Scheme.

Post-Transfer, the policyholders of AEI will benefit from the same level of administration services as they did under AGIL or LGI. The Assurant Europe Group of companies follow the same processes and culture of customer service in accordance with corporate policies established at a group level. Therefore, the Transfer will have no significant impact on the treatment of Transferring and non-Transferring policyholders of AGIL and LGI.

Post-Transfer, the policyholders of AEI will continue to benefit from the European laws, especially the GDPR and other consumer protection laws. The non-transferring policyholders will be protected by (European) GDPR until 31 December 2020 and after that date, depending on the deals in place post Brexit, the UK policyholders will still be protected by GDPR, in the same format and content as the other European countries, or the equivalent UK law. There is uncertainty with regards to cross border data transfer in the event of a no deal Brexit, post 31 December 2020; however, subject to High Court approval, the Transfer will be completed well before the Brexit deadline.

Post-Transfer, the two new legal entities AEI and AEL will be part of TWGE, a UK Group. The issues related to cross border data transfer will impact TWGE.

As referred to above in section 12.7 above, there is a difference in policyholder protection in relation to insurer insolvency arising from the Transfer. There is no equivalent to the UK Financial Services Compensation Scheme in the Netherlands to protect policyholders of Dutch insurers in case of insolvency. Thus, nominally policyholders will lose an element of contingent financial protection through the Transfer. However, as stated in 12.7 above, the loss of the FSCS is a consequence of the Transfer, which is not implemented for a commercial gain purpose, but is necessary so that AEI can continue to service the existing insurance contracts of AGIL and LGI lawfully after the end of the Brexit transition period.

Note that on YE19 basis for AEI, the SCR ratio is 154% post-Transfer and for the non-transferring business, the capital positions remain strong post-Transfer with SCR ratios of 158% and 305% respectively for AGIL and LGI. Based on the planned capital and solvency management of AEI whereby the Own Funds coverage of solvency capital requirement will not fall below 140% (and the fact that a letter of support at the date of the transfer from the parent company of AEI exists) this is not deemed to be a material issue.

The strategy for AEI is aligned to that of the Assurant Europe Group as a whole and is based on a European purpose to create and deliver solutions that increase customer loyalty and value to clients and customers. The strategy sets growth targets in terms of the number of customers and the products that will be focused on in order to achieve the expected business growth.

Assurant Europe Group is forecasting growth in earnings and profit by continuing to grow its client relationships in both insurance and insurance service business and winning new clients across Europe by executing a strategy of developing capability in product areas. AEI's business plan is aligned to these forecasts to contribute to performance at a group level.

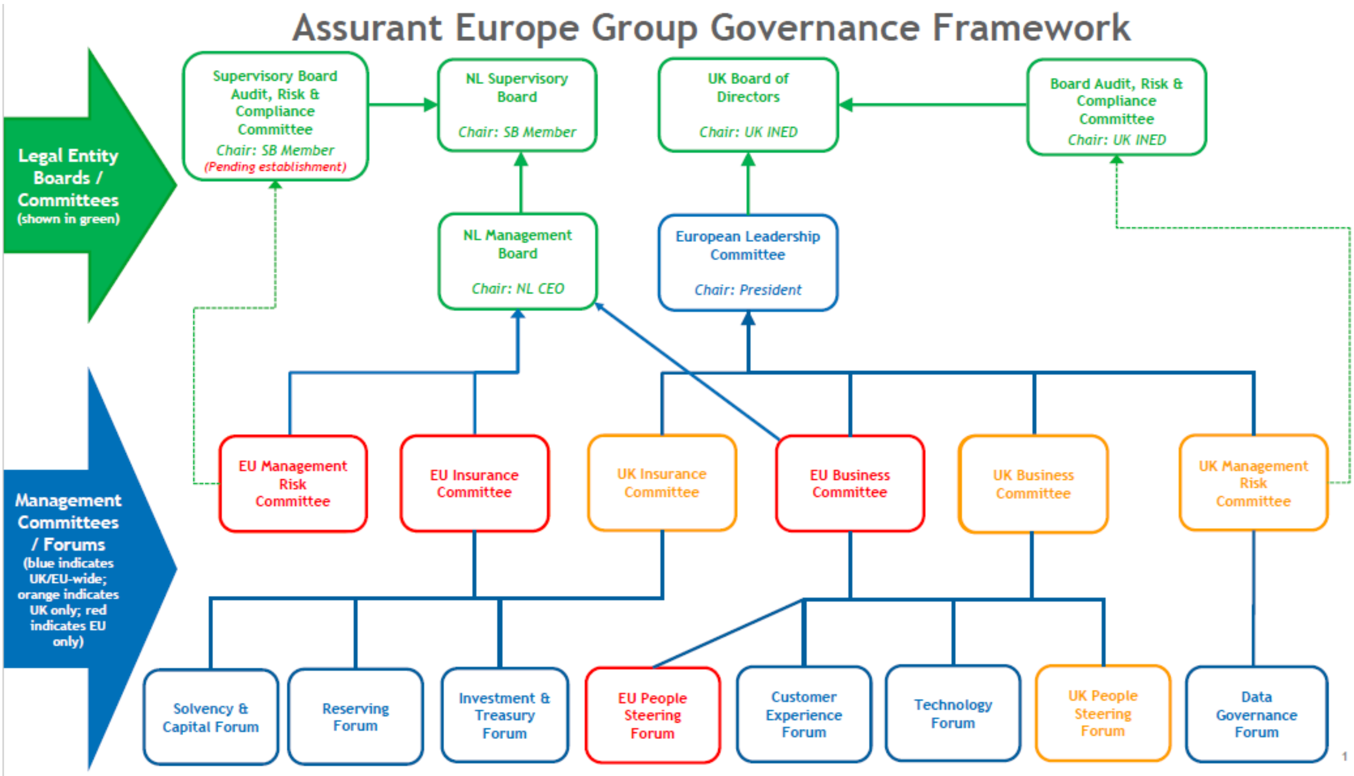
The creditor and furniture product lines have been placed into run-off which has the impact of de-risking the business with the movement into shorter-tail products. The strategy of other territories is similarly to grow the Connected Living Device and Extended Service Contracts (ESC or extended warranty) products.

The three-year financial plan of Assurant Europe Group is founded on supporting the European strategy above concentrating on mobile protection products and extended service contracts whilst continuing to run-off creditor and furniture products.

The strategy of Assurant Europe Group will not change as a result of the Transfer which is itself a key part of delivering this strategy.

It follows that, in my opinion, the Scheme will not have any material adverse effect on the Transferring policyholders in relation to the business strategy they are exposed to in AEI, as the business strategy is the same that was followed by AGIL and LGI. The Scheme will not have any material adverse effect on the non-Transferring policyholders either, as the strategy of AGIL and LGI will continue as before the Transfer.

The governance structure of Assurant Europe Group (collective name of UK and Europe entities) applies to the existing entities and the new entities AEI and AEL. Both AEI and AEL have their own Management and Supervisory Boards which operate independently of the UK insurance company boards, however the resources to support the governance of each of the insurers are largely shared across the group. The chart below shows the governance of Assurant Europe Group and shows how the oversight of UK and EU entities interact and the various supporting technical and operational committees. The Transferors and AEL have adopted a similar governance structure, subject to appropriate segregation of the Netherlands companies to reflect Dutch governance requirements.



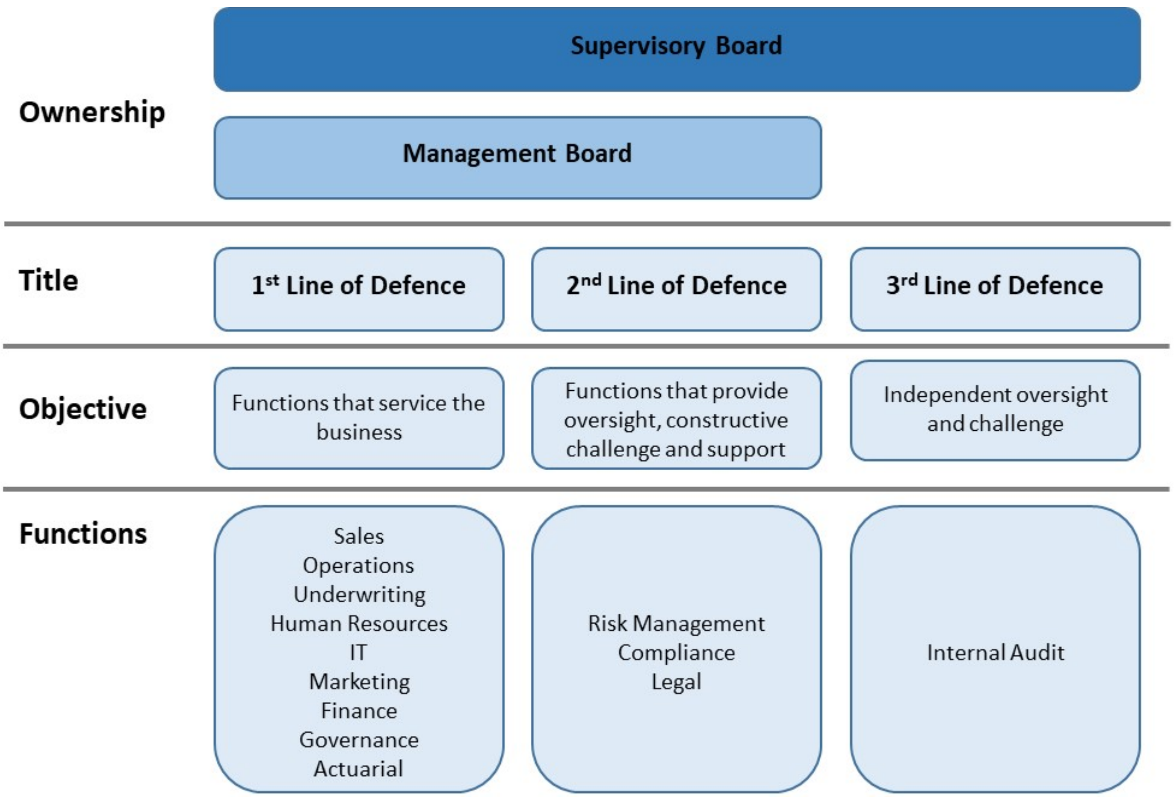

In the below table the UK Board of Directors is the highest governance body for AGIL and LGI. Each company has a separate Board with a common set of directors. Reporting into this Board is a UK Board Audit Risk and Compliance Committee which has a chairperson(referred to a Chair above) and is supported by the company secretary.

AEI has a 2 tied Board consisting of an upper tier Netherlands ("NL") Supervisory Board and a lower tier NL Management Board. Below these Boards, various Committees and Forums carry out the governance functions of the companies. The NL Management Board has a Chairperson, who in turn has a deputy. These are referred to as "Chair" and "Deputy Chair" respectively in the below. Below is the list of committees with their chairs, deputy chairs (or deputies in the table heading) and secretaries.

## Governance Chairs, Deputies & Secretaries

| Board/Committee/Forum | Chair | Deputy Chair | Secretary |
|---|---|---|---|
| UK Board of Directors | Colin Kersley | None appointed | Company Secretariat |
| UK Board Audit, Risk & Compliance Committee | Stuart Purdy | None appointed | Company Secretariat |
| NL Supervisory Board | Fred Gertsen | Tamara Monzon | Company Secretariat |
| NL SB Audit, Risk & Compliance Committee | Tamara Monzon | None appointed | Company Secretariat |
| NL Management Board | Ingo Soesman | Andy Schaut | Company Secretariat (via Citco NL) |
| European Leadership Committee | Christian Formby | Claude Sarfo | Company Secretariat (via KPMG UK) |
| UK Business Committee | Rich Green | Colin Graham | Stephanie Howman |
| UK Insurance Committee | Glyn Davies | Claude Sarfo | Paige Lewis |
| UK Management Risk Committee | Michael Schofield | Richard Weddell | TBC |
| UK People Steering Forum | Michael Carter | Julie Lane | Helen Kennedy |
| EU Business Committee | Marco Prada | Pascal Briodin | Fabienne Marque |
| EU Insurance Committee | Ingo Soesman | Reinier Tienkamp | Zoe Lubbers |
| EU Management Risk Committee | Reinier Tienkamp | Ingo Soesman | Tim van der Heijden |
| EU People Steering Forum | Michael Carter | TBC | Helen Kennedy |
| Technology Forum | Mark Davies | Nobin Rashid | TBC |
| Customer Experience Forum | Ross Carson | Sharon Cartner | Hannah Goodwin |
| Solvency & Capital Forum | Claude Sarfo | William Diffey | Tim Machin |
| Reserving Forum | William Diffey | Claude Sarfo | Rajeev Sharma |
| Investment & Treasury Forum | Claude Sarfo | Tim Machin | Tim Machin |
| Data Governance Forum | William Diffey | Richard Weddell | Eve Burke/TBC |

Assurant Europe's governance is based around a traditional "three lines of defence" model illustrated below:




- The First Line of Defence - all personnel have responsibilities to identify, mitigate and control the risks which form part of their processes and procedures.
- The Second Line of Defence - Risk Management, Compliance and Legal functions provide support to those in the first line of defence by providing:

- governance and oversight of risk management;
    - overseeing awareness and application of corporate policies and controls, and legal and regulatory requirements;
    - challenge and validation to the effectiveness of the controls applied by first line of defence; and
    - reporting to and updating senior management and the Management and Supervisory Boards.
- The Third Line of Defence - Audit is structured to function independently of the management of TWG Europe to provide to the Supervisory Board the independent validation of the effectiveness of controls. Internal Audit will also make recommendations to improve the effectiveness of risk management controls and governance processes.

The governance structure of the Transferee (AEI) is similar to the governance structure of transferors (AGIL and LGI). In fact, it is the same overall governance framework of Assurant Europe Group that covers AGIL, LGI and AEI. Therefore, it is my opinion that the policyholders being transferred will still benefit from the same strong oversight and governance.

AGIL and LGI already have compliance functions as part of existing TWGE and AGL groups. The new entity AEI will also have a Compliance Function that will operate within the context of AEI's broader risk management framework and will be responsible for oversight and monitoring of compliance risk management and related control systems. It will support the Management Board in managing compliance risks and embedding a culture of integrity in the organization.

The Scheme will transfer two broad categories of contracts: the insurance policy contracts and non-insurance business to business (B2B) contracts which support the AGIL and LGI insurance business. Some of the B2B contracts such as client reinsurance contracts are purported to be transferred under the Scheme while others may be transferred independently from the Scheme.

EU and UK Laws provide for mutual recognition throughout the EEA of the Transfer of a portfolio of insurance contracts. However, the Transferability and procedures for the Transfer of B2B contracts that are governed by non-UK law are not always clear. Assurant has sought legal advice to clarify the appropriate mechanisms to effect a full legal transfer of these B2B contracts.

Whilst the question in not actuarial in nature, the matter is pertinent for the following reasons:

- Part VII FSMA provides that any person who considers that they would be adversely affected by the Scheme is entitled to be heard by the Court. Therefore, should any of the B2B partners[18] object to the Scheme, the matter may be referred to the Court and can have an impact on the decision to authorise the Transfer. This could be an impediment to the whole Scheme or to a component of the Scheme including the effective date of the Transfer

- Some of these B2B contracts are material to the ongoing business of AEI where they structure the distribution of AEI's insurance such as the commercial relationship agreements with clients.

The legal advice provided to Assurant confirms that in some relevant EEA states the Transfer of B2B contracts which are governed by non-UK law may require counterparty consent. This will require individual contractual changes and a case by case contract novation approach is being formulated.

There is a significant number of B2B contracts to be transferred individually, which has risks in terms of timelines and effectiveness before the Transfer. There is also a risk that the counterparties may have a reluctance to cooperate or have a conflicting commercial agenda.

The risks involved are being clarified and an action plan is being formulated to minimise the risks to the timeliness and effectiveness of the Transfer and the ongoing business of AEI. There is no reason to expect that any material B2B contract may not transfer (whether under the Scheme or separately with consent) on or before the Effective

[18] Those counterparties to B2B contracts that are purported to be transferred under the Scheme (not those that are being transferred independently from the Scheme).

Date as discussions with all the counterparties are going well according to plan so far. An update of this process will be provided in the supplementary report.

Assurant Europe Group endeavours to operate on a consolidated and resource effective basis where possible across its European operations. Corporate and technical services are provided at a group level where practicable through the group's UK service companies. These UK companies will cease to hold EEA passported authorisations as a result of Brexit. Therefore, the regulatory implications of supporting elements of the EEA business of AEI on this basis after the Brexit transition period have been considered and reviewed.

Guidance has been received from the Compliance function and external legal advisers. The legal advice received confirms that there are restrictions, depending on the type of services provided. These restrictions prevent a non-EEA authorised entity effecting and carrying out contracts of insurance for an EEA insurer. However, these activities can be distinguished from general administrative and support functions that may be carried on by the UK companies for the EEA insurer, as these would not form part of the effecting or carrying out of regulated activities. Thus, the services provided to AEI by other companies of Assurant Europe Group will be split accordingly:

- regulated insurance services will be provided by service companies of the group with EU authorisations, including AES in the Netherlands;
- other administration and support services (non-regulated) will continue to be provided by the relevant group companies based in the UK.

- The non-analytical assessment of the Scheme is based on business, regulatory and general economic views, some of which are facts, and some are based on our understanding and perceptions. However, we have used various expertise, internal and external to support us, thus reducing the risk of making the wrong assumptions.
- The analytical assessment of the Scheme has been data driven and based on factual financial results of YE19. However, some assumptions have been made in order to perform the analysis and these assumptions have some inherent limitations. We note some of the key limitations of the analytical assessment as follows, in a non-exhaustive list:
  - The actual Transfer will take place on 2 November 2020 while the financial analysis of the Scheme has been done on a "as-if" basis as at YE19. Some valuations were initially done as at 3Q20 and their values as at YE19 were estimated by making some judgment.
  - The impact of COVID-19 has been assessed based on what we know about the disease up to mid year 2020, this might not be enough to fully capture the true impact of the disease. As more information becomes available with time, more detailed analysis can be performed to refine the impact of COVID-19.
  - We have done an assessment of the capital position of the Transfer as at 3Q20 by taking the planned business of 2020 into account, including our perception of the evolution of the impact of COVID-19 to 3Q20. This forecast is based on our expectation of how business will evolve. The actual evolution of the business might be different.

This work was done by experienced members of the Actuarial Function and underwent various levels of peer reviews, internally and with a separate seconded actuarial team providing independent peer review to the Actuarial Function and this contributes to the mitigation of the limitations.

The key limitations mentioned above are not an exhaustive list, and they are part of the types of regular and well understood limitations inherent to an actuarial analysis of the nature of a Part VII Transfer. These limitations do not constitute individually or in aggregate an impediment to the assessment of the Scheme and to the conclusions reached in this report.

After the Transfer, on YE19 basis, the SCR ratio of AEI is expected to be 154% when COVID-19 is not allowed for and 148% when COVID-19 is allowed for, which is a good capitalisation level allowing for full coverage of AEI's capital buffer. Therefore, the financial security of the Transferring policyholders of AGIL and LGI into AEI will be very good.

After the Transfer, the SCR ratio of AGIL is expected to be 158% and that of LGI is expected to be 305% when COVID-19 is not allowed for, and 152% and 288% respectively for AGIL and LGI when COVID-19 is allowed for. Therefore, the financial security of the non-Transferring policyholders remaining in AGIL and LGI is still very good.

The benefit expectation, policy terms and conditions and the servicing and administration of claims for the Transferring policyholders and non-transferring policyholders of AGIL and LGI are expected to remain as strong after the Transfer. The non-transferring policyholders of AGIL and LGI will continue to benefit from the FSCS in the UK while the Transferred policyholders of AGIL and LGI into AEI will not benefit for similar compensation scheme as the equivalent of the UK FSCS does not exist in the Netherlands. However, as this is only relevant in the event of insolvency of AEI, the risk is not significant as AEI is well capitalised with a solvency ratio well above 140%, a solid risk management framework and strong governance.

In my opinion as the Chief Actuary, taking into account the impact of the Scheme on the solvency position of AGIL and LGI pre and post-Transfer, and the solvency position of AEI post-Transfer as well as other considerations set out throughout this report, the implementation of the Scheme has no material adverse effects for the policyholders of AGIL and LGI. In particular, I believe that the Scheme will at least maintain the security of benefits of all AGIL and LGI policyholders, whether transferring or non-transferring, and ensure that they continue to be treated fairly.

- AEI: Assurant Europe Insurance N.V., the proposed non-life transferee established in Netherlands
- AEL: Assurant Europe Life Insurance N.V., the proposed non-life transferee established in Netherlands
- AGIL: Assurant General Insurance Limited, one of the non-life transferors' companies within the group (Assurant INC)
- ALL: Assurant Life Limited, one of the life transferors companies within the group (Assurant INC)
- **DNB**: De Nederlandsche Bank is the independent central bank, supervisory authority and resolution authority of Netherlands committed to a stable financial system: stable prices, solid financial institutions and properly functioning payment transfers.
- **FCA**: The Financial Conduct Authority is the conduct regulator for 59,000 financial services firms and financial markets in the UK and the prudential supervisor for 49,000 firms, setting specific standards for 19,000 firms.
- FRC: Financial Reporting Council is responsible to set and Maintain the TAS, and oversight the regulation of actuaries by the Faculty of Actuaries (IFoA)
- **FSCS**: Set-up by parliament and funded by the financial services industry in UK, FSCS is a completely independent and free service which protects customers funds when financial firms fail.
- LGI: London General Insurance Limited, one of the non-life transferors' companies within the group (Assurant INC)
- LGL: London General Life Company Limited, one of the life transferors' companies within the group (Assurant INC)
- **MCR**: Minimum Capital Requirement is the capital requirement instituted by Solvency II. The MCR has a floor of 25% and a cap of 45% of the SCR, and There is an absolute minimum capital requirement (**aMCR**) of €3.7m for life insurance companies (this floor is different for reinsurers and non-life insurers). The MCR is the ultimate point of supervisory intervention, below which the company would lose its authorisation.
- **PRA**: The Prudential Regulation Authority is the prudential regulator in UK of around 1,500 banks, building societies, credit unions, insurers and major investment firms. As a prudential regulator, it has a general objective to promote the safety and soundness of the firms it regulates.

- **Solvency II**: It is the regulatory framework applied to all EU insurance and reinsurance companies with gross premium income exceeding €5 million or gross technical provisions in excess of €25 million. It became operative from 1 January 2016.
- **TAS:** Technical Actuarial Standards are UK norms to promote high quality actuarial practice and the integrity, competence and transparency of the actuarial profession, to the benefit of all those who rely on actuarial advice.
  The key objectives of Solvency II are to increase the level of harmonisation of solvency regulation across Europe, to protect policyholders, to introduce Europe-wide capital requirements that are more sensitive (than the previous minimum Solvency I requirements) to the levels of risk being undertaken, and to provide appropriate incentives for good risk management.
- **TP**: Technical Provisions represent the amount that an insurer requires to fulfil its insurance obligations and settle all expected commitments to policyholders and other beneficiaries arising over the lifetime of the insurer's portfolio of insurance contracts.